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ABSTRACT OF PROCEEDINGS
OF
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA
ASSEMBLED FOR THE PURPOSE OF MAKING
LAWS AND REGULATIONS,
FROM 1905 TO MARCH 1906.
WITH AN INDEX.

VOLUME XLIV.



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ABSTRACT OF THE PROCEEDINGS
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LAWS AND REGULATIONS,
1905—1906.

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Friday, the 6th January, 1905.

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

The Hon'ble Sir E. F.G. Law, K.C.M.G., C.S.I.

The Hon'ble Major-General Sir E. R. Elles, K.C.B., K.C.I.E.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

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The Hon'ble Mr. H. Adamson, C.S.I.

The Hon'ble Rai Bahadur B. K. Bose, C.I.E.

The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Darbhanga.

The Hon'ble Rai Sri Ram Bahadur.

The Hon'ble Mr. L. A. S. Porter.

The Hon'ble Mr. A. D. Younghusband.

The Hon'ble Mr. L. Hare, C.I.E.

The Hon'ble Mr. H. A. Sim, C.I.E.

The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.

QUESTIONS AND ANSWER.

The Hon'ble THE MAHARAJA OF DARBHANGA asked the following questions:—

“I. Will Government be pleased to make any declaration stating whether it has come to any decision on the question of the partition of Bengal?

2 *QUESTIONS AND ANSWER; SINDH INCUMBERED ESTATES;
AMENDMENT OF LOCAL AUTHORITIES' LOAN ACT, 1879.*

[*The Maharaja of Darbhanga; Sir Denzil Ibbetson; [6TH JANUARY, 1905.]*
Sir Edward Law.]

"II. What is the nature of such decision both as regards the districts to be severed and the administration to be given to the new province?"

The Hon'ble SIR DENZIL IBBETSON replied as follows:—

"No decision has yet been come to on the subject."

SINDH INCUMBERED ESTATES (AMENDMENT) BILL.

The Hon'ble SIR DENZIL IBBETSON moved for leave to introduce a Bill to amend the Sindh Incumbered Estates Act, 1896. He said:—"The objects and reasons of the proposed legislation are sufficiently set forth in the Statement which is attached to the Bill.

"It is proposed to deal with the matter in this, and not in the Provincial Council, because the Act which it is proposed to amend was passed in the Imperial Council; and because the provisions of sections 5 and 9 of that Act, which it is now proposed to extend, apply to all Courts throughout British India, whereas the extension, if the amending Act were passed in the local Council, would apply only to the Courts of the Bombay Presidency."

The motion was put and agreed to.

The Hon'ble SIR DENZIL IBBETSON introduced the Bill.

The Hon'ble SIR DENZIL IBBETSON moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English, and in the Bombay Government Gazette in English and in such other languages as the Local Government thinks fit.

The motion was put and agreed to.

LOCAL AUTHORITIES' LOAN (AMENDMENT) BILL.

The Hon'ble SIR EDWARD LAW moved for leave to introduce a Bill further to amend the Local Authorities' Loan Act, 1879. He said:—"Under the terms of section 8 of the Local Authorities' Loan Act, 1879, the Rangoon Port Commissioners can borrow money under the provisions of that Act alone. It is proposed by the Rangoon Port Bill, which was introduced in the Burma Council on the 21st of last month, to empower the Commissioners to borrow under the provisions of that Bill; and the object of the present

[6TH JANUARY, 1905.] [Sir Edward Law.]

measure is to remove the bar imposed by the Act of 1879, so as to give full effect to that proposal."

The motion was put and agreed to.

The Hon'ble SIR EDWARD LAW introduced the Bill.

The Hon'ble SIR EDWARD LAW moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in English in the Gazette of India and in the local official Gazettes.

The motion was put and agreed to.

INDIAN PAPER CURRENCY BILL.

The Hon'ble SIR EDWARD LAW moved for leave to introduce a Bill to consolidate and amend the Law relating to the Government Paper Currency. He said :—" The primary object of this Bill is to consolidate the Acts relating to the Government Paper Currency. The opportunity has at the same time been taken to propose certain amendments in the existing law.

" The law as originally formulated in the Indian Paper Currency Act, 1882 (XX of 1882), has been materially modified by a number of enactments, of which the following are still in force, namely :—

The Indian Coinage and Paper Currency Act, 1893 (VIII of 1893).

The Indian Paper Currency Act Amendment Act, 1896 (XXI of 1896).

The Indian Coinage and Paper Currency Act, 1899 (XXII of 1899).

The Indian Paper Currency Act, 1900 (VIII of 1900).

The Indian Paper Currency Act, 1902 (IX of 1902).

The Indian Paper Currency (Amendment) Act, 1903 (VI of 1903).

" The present Bill repeals all these enactments as well as the main Act of 1882, and reproduces their provisions in a consolidated form.

" Such of the amendments of the existing law proposed in the Bill as appear to be of sufficient importance to require explanation are described in the Notes on Clauses annexed to the Statement of Objects and Reasons, while the Tabular Statement, which has also been appended, shows how each provision of that law has been disposed of in the process of consolidation.

"The most important provision in the Bill is clause 20, which raises the amount of the reserve that may be invested from ten to twelve crores of rupees and permits the whole or part of the investment to be made in securities of the United Kingdom of Great Britain and Ireland or securities issued by the Secretary of State for India in Council under the authority of Act of Parliament and charged on the revenues of India. The former of these measures is held to be justified by the increase which has taken place in recent years in the circulation of currency notes; the latter is considered to be desirable because sterling securities may sometimes be more readily realizable than rupee securities."

The motion was put and agreed to.

The Hon'ble SIR EDWARD LAW introduced the Bill.

The Hon'ble SIR EDWARD LAW moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English, and in the local official Gazettes in English and in such other languages as the Local Governments think fit.

The motion was put and agreed to.

The Council adjourned to Friday, the 27th January, 1905.

CALCUTTA;
The 6th January, 1905. }

J. M. MACPHERSON,
*Secretary to the Government of India,
Legislative Department.*

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Friday, the 3rd February, 1905.*

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

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The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.

LOCAL AUTHORITIES' LOAN (AMENDMENT) BILL.

The Hon'ble MR. BAKER moved that the Bill further to amend the Local Authorities' Loan Act, 1879, be taken into consideration. He said:—
“The object of the Bill was explained by Sir Edward Law when introducing it on the 6th January. At present the borrowing powers of the Rangoon Port Commissioners are regulated by the Local Authorities' Loan Act, 1879, which

*NOTE.—The Meeting of Council which was fixed for the 27th January, 1905, was subsequently postponed to the 3rd February, 1905.

[*Mr. Baker; Mr. Richards.*] [3RD FEBRUARY, 1905.]

is an Act of this Council of general application. It is now desired to empower the Port Commissioners to borrow money in accordance with a self-contained Act of their own, as is the case with the Port Trusts of Calcutta, Bombay and Madras, and a Bill to this effect is now pending in the Burma Legislative Council. To enable that Bill to have effect it is necessary to exempt the Port Commissioners of Rangoon from the Local Authorities' Loan Act. The measure is a purely formal one and it has not been considered necessary to refer it to a Select Committee."

The motion was put and agreed to.

The Hon'ble MR. BAKER moved that the Bill be passed.

The motion was put and agreed to.

INDIAN UNIVERSITIES VALIDATION BILL.

The Hon'ble MR. RICHARDS moved for leave to introduce a Bill to validate action taken under the Indian Universities Act, 1904. He said:—"My Lord, the object of the Bill is to set at rest doubts which have been raised as to the validity of the constitution of the Bodies Corporate and Provisional Syndicates of the Universities of India. The matter is one of urgency for the reason that the work of the Universities is at the present moment at a standstill owing to the uncertainty as to the legal position of these Bodies and no progress can be made until the legal questions are determined.

"The purpose and scheme of the Universities Act will be within the recollection of this Council, and in order to explain the difficulties which make it necessary to resort to legislation I need only call their attention to that part of the Act which contains what are called the 'transitory provisions', that is, the provisions which set up machinery for establishing the University in its permanent form. These provisions will be found in the numerous clauses of section 12 of the Act.

"It will be seen that these clauses regulate the first elections of Fellows and the constitution of the first Bodies Corporate of the Universities, and that in clause (p) there is provision made for the appointment of a Provisional Syndicate to conduct the business of the Universities until permanent Syndicates have been constituted. It is in regard to this last clause and to the manner in which the Provisional Syndicates have been appointed that the present difficulties have mainly arisen, and with the permission of the Council I will state shortly what those difficulties are.

3RD FEBRUARY, 1905.] [Mr. Richards.]

"Clause (p) enacts that each Provisional Syndicate is to be appointed by the Senate 'in such manner as the Chancellor directs'. Those are the words used in the clause. It makes no other provision for the election. It does not specify the number of members of the Syndicate: it does not say whether they are to be, as they have been in the past, representative of the Faculties or not: it leaves everything at large, subject to the power of the Chancellors to give directions.

"The Chancellors have taken the view that the power given to them is sufficient to enable them to deal with these matters, which are indeed on any other construction left unprovided for, and they have issued directions as to the appointment of the Provisional Syndicates, including directions to ensure the due representation of the Faculties. It does not seem possible that any objection can be taken to the substance of these directions, for they follow with some exactness the procedure in force at the time of the passing of the Act, and the procedure which appears to be contemplated in regard to the permanent Syndicate when that is set up. But the question is whether they are technically *ultra vires*.

"The directions given have varied in form. In some cases the Syndicate was to be elected by the Senate sitting together but voting by Faculties: in others by the members of the Senate divided into groups according to their qualifications for the purpose of ensuring the proportional representation of the various schools but acting separately. But whatever the differences of form the effect has been the same, namely, to continue the former practice of election by Faculties.

"In accordance with these directions elections were held at all the Universities and, except in the case of Bombay, were held without protest or complaint. Provisional Syndicates were constituted and have been some time at work preparing the ground for the permanent Syndicates.

"But unfortunately this has now been stopped.

"General objection is now taken to the constitution of the Syndicates on the grounds that the action of the Chancellors was *ultra vires* and that they had no powers to give the directions to which I have referred.

"In Bombay application has been made to the High Court for an injunction to restrain the Provisional Syndicate from acting in the affairs of the University. In Calcutta a distinguished ex-Judge has lent the weight of his name and authority to a formal protest before the Senate of the University, and there are

signs that the controversy will soon extend to Madras, Allahabad, and Lahore, and that litigation may become general. Meantime the work of all the Universities is at a standstill: valuable time is being lost, and unless something be done, and done promptly, the progress of the Universities seems likely to be indefinitely arrested.

“ It is not for this Council to decide on the legality or illegality of the action of the Chancellors: that depends on technical points of construction and must be determined, if it be necessary to determine them, in Courts of law: but it is the concern of the Legislature to ensure that the work of education be not indefinitely arrested, and that it be not suffered to remain in a state of paralysis until such time as the resources of litigation are exhausted.

“ It may be said that the decision of the Bombay Court would settle the whole question and that proposals for legislation are premature until that decision is known. But I submit, my Lord, that that is not so. If the question affected Bombay only, the decision of the Bombay Court would determine the matter, that is, if no appeal were lodged against it (and there might be an appeal to the Privy Council), but it could not determine questions in other Provinces, or questions arising on different facts. Other actions may be started, indeed it is rumoured that they are to be started, before other Courts, and litigation may be indefinitely prolonged.

“ So far I have dealt only with the constitution of the Provisional Syndicates, but it is right to call the attention of the Council to the fact that the difficulties of construction which I have discussed are not limited in their effect to the Provisional Syndicate. The same question arises in regard to the election of Fellows to represent the Faculties under clauses (c) and (f). There again there are no provisions to secure election by the Faculties unless such power is contained in the proviso that the election is to be ‘in such manner as the Chancellor may direct’, and the Chancellors have in some cases given directions to secure this result. These Fellows are to be representative of the Faculties and it would be certainly most unreasonable that the Faculties should be denied any voice in their election: but if the argument against the wider construction of the Chancellor’s powers be good in the case of the Provisional Syndicates, it must be good in this case also. The result follows that the Bodies Corporate of the Universities or at least of some of them have never been properly constituted, and that the whole work must be done over again and the time spent and labour bestowed on them must be absolutely wasted.

[3RD FEBRUARY, 1905.] [Mr. Richards; Mr. Lokhale.]

“My Lord, I have now put before the Council the main features of this unfortunate controversy, and trust that I have convinced them that the matter is one which demands prompt treatment in the public interests.”

“The Bill is a short one and does no more than validate the action of the Chancellors in regard to the constitution of the Sénates and Provisional Syndicates. That action does not affect the ultimate constitution of the Bodies of the University: it is of a temporary character only: and if there be a dispute as to the meaning of the Act in regard to it, it seems better to do as the Chancellors have done and to follow the procedure which was in force before the passing of the Act, until such time as the Universities are finally constituted.”

The Hon'ble MR. GOKHALE said:—“My Lord, I beg to oppose this motion. It was only last night that I received the agenda paper of this meeting, and then I saw that it was proposed to introduce a measure of this kind at to-day's Council. There was, however, no copy of the Bill with the agenda paper—there is no copy even now before me on the table—so I was entirely in the dark, until I heard the speech of the Hon'ble Member in charge of the Bill, about the precise nature and scope of the proposed legislation. Now, my Lord, I respectfully submit that this is somewhat hard on Members of this Council. For I find myself compelled, if I want to enter my protest at all, to speak just on the spur of the moment, without any opportunity to look up facts and references, relying solely on my mere recollection of things. My Lord, I was one of those who did their utmost last year to prevent the passage of the Universities Bill. But having done that, as soon as the Bill was passed, I was among those who recognised the wisdom of the appeal so earnestly made by His Honour the Lieutenant-Governor of Bengal to both friends and opponents of the measure that they should after that bury their differences and in the best interests of higher education endeavour to co-operate with one another to make the Act a success. I should therefore have been glad if there had been no occasion for me to oppose any further the proposals of Government in regard to the Universities of India. But as the Government have thought fit to introduce the present measure, and as I disapprove of it most strongly, there is no course open to me but to offer it such resistance as I can. My Lord, I interpret the Hon'ble Member's speech as a practical admission that the notifications which the Chancellors in the different Provinces have issued are illegal and *ultra vires*, and that the action taken under them cannot be sustained. For, if there had been the faintest possibility of the notifications being upheld by the High Courts, the Government, I am sure, would not have taken this unpleasant and not wholly dignified course of coming to

the Legislature to validate what they have done. Now, my Lord, one might easily ask the question how such illegal notifications came to be issued, for with the resources at the disposal of the various Governments in the matter of expert legal advice and in other ways the public have a right, even in this country, to expect work less careless than that. But when a mistake has been admitted, in public life as in private life, the less one dwells on it the better. But though I do not care to press the question how these notifications came to be issued, I must protest emphatically against the course proposed to be adopted to set right the illegality that has been committed. I think, my Lord, the only proper course for the Supreme Government on this occasion was to call upon the various Chancellors to withdraw these objectionable notifications and substitute others in their place more in accordance with the law. Instead of following this plain course, the Government have chosen to come to the Legislature with proposals to remedy, not any defect in the law, but a serious illegality committed in taking action under the law, and persisted in in spite of warnings and protests. My Lord, in all civilised countries there is a well-understood and well-defined distinction between the Legislature and the Executive Government, and the Legislature is regarded as higher than the Executive. In India unfortunately this distinction for the most part is of only a nominal character, for with the present constitution of the Councils the Executive Government can get what law they please passed by the Legislature without the slightest difficulty. I submit, however, that it is not desirable, it is not wise, that this fact should be forced on the attention of the public in so unpleasant a manner as on this occasion, and I think the distinction becomes a farce if our Legislature is to be thus at the beck and call of the Executive Government, and if it is to be called upon to exercise its powers of legislation to remedy defects not in existing laws but in executive action taken under those laws. My Lord, I respectfully but emphatically protest against this lowering of the dignity of the Legislature. Of course there is nothing to prevent the Government legally from coming to the Legislature with such proposals as they please. But I venture to think that there are moral limits on the competency of the Government in this matter. I think that the Government should come forward with proposals of amendment only in the event of the existing law being found so defective as to be unworkable, errors in executive action being set right as far as possible by executive action alone. I can imagine a case where, soon after passing a measure, the Government suddenly discover a flaw which makes it impossible to carry the measure into practice. In such a case, however one may regret the necessity of amending legislation, one would be prepared to regard the position of Government with a certain

[3RD FEBRUARY, 1905.]

[Mr. Gokhale.]

amount of sympathy. But that is not the case on the present occasion. It is not contended that no executive remedy is possible to set matters right, for, by withdrawing the present notifications and substituting others in accordance with law, the whole difficulty can be got over. The Hon'ble Member has told us that this would involve much loss of precious time and of valuable work already in process of being done. Surely this is not such a calamity as to justify the present proposals. It is true that those who get into power for the first time often imagine that they must begin their reforming work at once, and that the situation cannot brook a moment's delay. Everyone will not, however, necessarily sympathise with such impatience, and some may even welcome circumstances which necessitate their going more slowly. As regards the fear that in some places examinations will have to be postponed unless the election of the present Syndicates is validated, even that need not frighten us much, as examinations have been postponed in the past on account of plague and other difficulties, and there is no great harm if they have to be postponed for a time in any place this year. The Hon'ble Member has further told us that after all the defects that have been discovered in the notifications are of a purely technical character. Now I cannot subscribe to this view of the matter at all. Take, for instance, the formation of the Faculties. If this function had been left to the Senates as required by the law—if it had not been illegally usurped by the Chancellors—we should have had the Faculties formed in accordance with some clear and intelligible principle as in old times. But in what the Chancellors have done there is no such clear principle recognisable. Thus in Bombay a man like Mr. Justice Chandavarker, than whom there are few more cultured Fellows—European or Indian—in the Bombay Senate, has been excluded from the Arts Faculty, which after all is the most important Faculty, and relegated to the Faculty of Law, which is made to include every Fellow who has taken the LL.B. degree. So it is not only a mere setting right of technical defects that is involved in this Bill. My Lord, there is another most important question that must be brought to the notice of this Council. I am not sure that I quite followed the Hon'ble Member in what he said about the effect of this Bill on the Syndicates which have been elected under the illegal notifications. I understood him to say, and I speak subject to correction, that the elections would stand. If this be so, I can only protest against what is proposed as a great wrong, at least so far as the Bombay University is concerned, for there the opinion of eminent Counsel had been obtained, which declared that the notification was clearly illegal and *ultra vires*. This opinion had been forwarded to the University authorities before the elections were

[*Mr. Gokhale; Mr. Richards.*] [3RD FEBRUARY, 1905.]

held, and the only request that was made was that the elections should be postponed till the Chancellor had reconsidered the whole question in the light of that opinion. An opportunity was thus given to the party that is anxious to introduce the new order of things to set matters right by cancelling the notification and issuing another in its place. Instead of that, they preferred to hold the elections in accordance with the notification, and now it is proposed to condone the illegality committed with open eyes by means of fresh legislation! My Lord, the unfairness of this arrangement becomes all the more obvious when it is remembered that those who saw the illegality of the notification did not take part in the election beyond entering their protest. They did not allow themselves to be nominated as candidates: neither did they exercise their undoubted right to vote because of the illegal character of the whole proceeding. On the other hand, those who chose to act on the notification acted as though they were determined to carry out their object, whatever the obstacles in their way. Thus a motion for adjournment, which the Vice-Chancellor, who presided over the Arts meeting, allowed to be put to the meeting one day, was under exactly similar circumstances ruled out of order the next day at the Law meeting by the Judicial Member of the Executive Government, whose interest in University matters was suddenly aroused, and who attended to take the chair—which otherwise would have been occupied by the senior Fellow present, Sir Pherozeshah Mehta.

"And it is now proposed to support by fresh legislation the illegalities committed in this high-handed manner by those who chose to ignore the warning and opinion of eminent Counsel, and it is proposed to punish those who protested against the illegalities and refrained from being a party to them. I think it is absolutely unjustifiable thus to disfranchise a large number of Fellows and accept the elections made by a handful of men in each group as made by the Faculties, and once more I protest emphatically against the contemplated wrong.

"My Lord, these are some of the observations which suggest themselves to me on this occasion. I have been under some disadvantage in having had to speak on the spur of the moment, and I can only trust I have made no mistake in my statement of facts, nor have I employed stronger language than the exigencies of the situation demanded."

The Hon'ble MR. RICHARDS said:—"I desire to say a few words, and only a few words, in answer to the speech of the Hon'ble Mr. Gokhale. He commenced by complaining that he had not had an opportunity of seeing this Bill. Well, that is a matter which will soon be remedied, for before the Bill comes

[3RD FEBRUARY, 1905.] [*Mr. Richards; Mr. Gokhale.*]

on for the second reading he will have a copy of it, and will then be in a position to comment upon it in detail.

“The Hon’ble Member then said that this Bill was an admission that these notifications were illegal. Against that view I must enter an emphatic protest. The Bill does not admit that they were illegal. The object of introducing the Bill is simply to put an end to the prevailing state of suspense. As I said before, we cannot determine ourselves whether these notifications were legal or illegal. What we have to do is to put an end to the state of suspense.

“Now, the sole question is, what is to be done in order that the work of education in these Universities may go on? That, as I take it, is the whole question which the Legislative Council has to consider, and I listened, and I listened in vain, for any suggestion from the Hon’ble Member as to how that state of suspense could be put an end to. As I understand, if we were to assent to the course of action he proposed, the whole procedure would have to be gone through over again. All that has been done would be wasted and lost. The Senates would have to be reconstituted; the Provisional Syndicates would have to be reconstituted—

[The Hon’ble MR. GOKHALE—“Not the Senates”.]

“Well, I think that the Senate is composed of Fellows, the election of some of whom would be void, at least in some of the Universities, if the view which the Hon’ble Member puts forward were correct; therefore the Senate would have to be reconstituted; and the Provisional Syndicates would have to be reconstituted. That, my Lord, is a matter which one would view with the very gravest concern. The object of everybody—the object of the Hon’ble gentleman, and the object of every one of us—is to further the work of the Universities; and the object of the Bill is to put an end to these difficulties and to let the work of the Universities go on.”

The motion was put and agreed to.

The Hon’ble MR. RICHARDS introduced the Bill.

The Hon’ble MR. RICHARDS moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in English in the Gazette of India and in the local official Gazettes.

The motion was put and agreed to.

GOVERNMENT STORES.

[Major-General Sir Edmond Elles.] [3RD FEBRUARY, 1905.]

GOVERNMENT STORES BILL.

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES said :—" My Lord, I beg to state that the Government have decided to withdraw the Government Stores Bill."

The Council adjourned to Friday, the 10th February, 1905.

CALCUTTA;
The 6th February, 1905. }

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

Proceedings of the Council of the Governor General of India assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Friday, the 10th February, 1905.

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

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The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.

QUESTIONS AND ANSWERS.

The Hon'ble Mr. GOKHALE asked the following questions:—

“ 1. Will Government be pleased to state if any general instructions had been issued by the Government of India to the several Local Governments or to the Chancellors of the several Universities in the matter of the notifications

[*Mr. Gokhale; Sir Denzil Ibbetson; the President.*] [10TH FEBRUARY, 1905.]

which the Chancellors were to publish under the Universities Act of last year, and, if so, will they lay these instructions on the table?

"2. Had Government consulted their legal advisers about the legality or otherwise of the notifications which have been issued by the different Chancellors before introducing the Bill to validate action taken under the Universities Act, 1904? And, if so, will they place their opinion on the table?"

"3. Will Government be pleased to state if the Government of India had ever in the past, since the passing of the Indian Councils Act of 1861, to move the Legislature to legislate for validating action taken by the executive authority under Acts passed by the Legislature, and, if so, on how many occasions and in what circumstances?"

The Hon'ble SIR DENZIL IBBETSON replied:—

"The Government of India did not take any such action as that described by the Hon'ble Member in his first question: nor did they have occasion to consult the Law Officers on the point raised in the second.

"A number of validating Acts have been passed by the Governor General in Council since the year 1861. A list of validating Acts of the particular kind mentioned in the third question is placed on the table,* together with a copy of each Act mentioned in the list. The circumstances under which the Acts were passed appear from the Acts themselves and from the proceedings of the Council."

INDIAN UNIVERSITIES (VALIDATION) BILL.

The Hon'ble MR. GOKHALE said:—"My Lord, before the Hon'ble Member makes the motion which stands in his name, I should like to point out that, under rule 20 of the Rules of Conduct of Business in this Council, every Member is entitled to have a copy of the Bill at least seven days before the time when the Bill is taken into consideration. My copy I got last Saturday, and it is not seven days since; so unless Your Excellency chooses to exercise the power that is vested in you to suspend the standing orders, the proceedings of today's meeting will not be valid."

His Excellency THE PRESIDENT said:—"I am sorry if the Hon'ble Member has not had the full seven days' notice to which he appears to be entitled. The Secretary tells me that the Bill was sent out on Friday last and

* *Vide Appendix.*

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a copy ought to have reached the Hon'ble Member on Friday evening, in which case the time required by the rules would have been complied with. In any case, if the sense of constitutional propriety of the Hon'ble Member were injured, should he not have let me know at an earlier date instead of acting at the last moment? As I think the opinion of Council will be in favour of condoning any slight departure that there may have been from the rules, and as the Hon'ble Member has admitted that I have the power to suspend the standing orders, I decide in the sense that we may now proceed."

The Hon'ble MR. GOKHALE said:—"I was under the impression that Your Lordship would suspend the standing orders."

The Hon'ble MR. RICHARDS moved that the Bill to validate action taken under the Indian Universities Act, 1904, be taken into consideration.

The Hon'ble Mr. GOKHALE moved that for the words "the Bill to validate action taken under the Indian Universities Act, 1904, be taken into consideration," in the foregoing motion, the words "the consideration of the Bill to validate action taken under the Indian Universities Act, 1904, be postponed *sine die*" be substituted. He said:—"My Lord, last Friday, when I troubled the Council with a few observations on the Bill now before us, I ventured to suggest that the introduction of this measure and the Hon'ble Member's speech in support of it amounted to a practical admission that the notifications issued by the several Chancellors were illegal and *ultra vires*. The Hon'ble Member, however, took exception to my remark, and that makes it necessary that the Council should consider briefly the circumstances connected with these notifications and the position now created by them. For this purpose I would invite the attention of the Council to what has taken place at Calcutta and Bombay, and I take these two Universities, partly because it has been easier for me to obtain precise information in regard to them than in regard to the others during the short time at my disposal, but mainly because the circumstances of the Calcutta University are, or ought to be, within the personal knowledge of several Members of this Council, and at Bombay matters have culminated in a suit being instituted in the High Court. My Lord, I have no wish today to stir up the ashes of the controversy that raged round the Universities Bill last year, though one may say in passing that some of the fears then expressed by the opponents of the measure about the probable exclusion of independent Indians from the administration of the Universities are already being more or less realized. What, for instance, can be more lamentable than that, on the present Syndicate of the Calcutta University, four Faculties out of five should be without a single

Indian representative, and that in Bombay, a man like Sir Pherozeshah Mehta, once a Dean in Arts, who, in point of attainments and of zealous devotion to the best interests of the country, towers head and shoulders above many of those who have of late been posing as authorities on high education in this land, should be excluded from the Faculty of Arts! However, I know that any further complaint in this Council about the policy of last year's Bill is like ploughing the sands of the seashore, and I have no wish to engage in an enterprise at once so fruitless and so unnecessary. My Lord, I must ask the Council to glance for a while at what may be called the scheme of last year's Act in regard to the constitution of the first Senates and of Provisional Syndicates. That scheme, I contend, is both clear and adequate, and if only ordinary care had been taken to adhere to it, the present difficulties would not have arisen. The scheme is set forth in the several clauses of section 12. First of all, there was to be the election of ten Fellows by Graduates or by old elected Fellows or by both. Then there was to be the appointment of not more than eighty Fellows by the Chancellor. And then there was to be the election or rather co-optation of ten more Fellows by the elected Fellows and Government nominees acting together. This co-optation was to complete the Senate and then the Chancellor was to notify that the Body Corporate of the University had been formed, appending to the notification a list of the new Senate. As soon as this declaration was made, the old Senate and the old Syndicate were to cease to exist, and the new Senate, *i.e.*, the Body Corporate, was to elect a Provisional Syndicate, in such manner as the Chancellor might direct, the old bye-laws and regulations of the University continuing in force till new ones were framed, except in so far as they were expressly or by implication superseded or modified. Now two things here are absolutely clear—first, that the election of the Provisional Syndicate is to be by the Senate, *i.e.*, the Body Corporate, and, secondly, whatever discretion might be conferred on the Chancellor by the words 'in such manner as the Chancellor may direct,' that discretion is limited, first, by the express terms of the Act and, secondly, by such old regulations and bye-laws as have not been superseded or modified. The Hon'ble Member said last Friday that unless a very wide meaning was assigned to the words 'in such manner as the Chancellor may direct' there would be a difficulty about fixing the number of the Syndicate. I am surprised at the Hon'ble Member's argument, for he forgets that the old regulations prescribe the number, and the Act being silent in the matter, that number must stand. On the other hand, the regulations prescribe election by Faculties, but the Act expressly provides for election by the Senate; therefore the election by Faculties must go. I therefore contend that the scheme of the Act for

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the constitution of the first Senate and of the Provisional Syndicate is a clear and complete scheme, and the responsibility for the present muddle rests not on those who framed the Act but on those who did not take sufficient care to understand its provisions and exceeded their powers in taking action under it. Indeed, my Lord, I wonder what Sir Thomas Raleigh in his retirement will think of these proceedings in Council and of the justification urged for them, for to my mind they are little less than a reflection on the patient industry and care with which he elaborated the provisions of the Universities Bill; and I think it will strike him as an irony of fate that while these proceedings should be initiated by those who were among the most enthusiastic supporters of his Bill, it should have been reserved for an uncompromising opponent of the measure to protest against the charge of unsatisfactory work which they involve against him!

"My Lord, I have so far briefly sketched what may be called the scheme of the Act. Let us now see how they have followed this scheme in practice at Bombay and Calcutta. In Bombay the election of ten Fellows by Graduates and by old elected Fellows took place all right. The appointment of eighty Government nominees followed in proper form. Finally these ninety proceeded to co-opt the remaining ten, sitting and voting together as required by the Act. The Bombay Senate was thus regularly constituted and no one has taken any exception to its constitution. Then came the Chancellor's notification about the election of a Provisional Syndicate, in which he arbitrarily divided the Fellows into groups, which he had no power to do, and directed the several groups to meet and vote separately and on separate days, which also he had no power to do. And when the illegal character of the notification was brought to his notice and opinions of eminent lawyers in support of this view were forwarded to him, the University authorities persisted in acting on the notification, with the result that the aggrieved party had to move the High Court for redress! In Calcutta the catalogue of illegalities was even longer. Here the election of ten Fellows by Graduates and by old elected Fellows took place all right and the Chancellor's nominations were also in regular form. From this point, however, commenced a regular series of irregularities. The ten Fellows to be co-opted were not co-opted by the elected and nominated Fellows sitting and voting together, as required by the Act. The constitution of the Calcutta Senate itself was thus defective. Then the Chancellor divided the Senate into Faculties for the purpose of electing the Syndicate, which he had no power to do. The old regulations which are still in force recognize only four Faculties, but the Chancellor constituted five Faculties on his own responsibility, which was irregular. Under the old regulations

every Fellow, *ex officio* or ordinary, must belong to at least one Faculty; but the Chancellor did not assign the *ex officio* Fellows to any Faculty, which was irregular. Finally the Provisional Syndicate was elected by the Faculties, instead of by the Senate, as expressly required by the Act, and this was irregular. And now, after all these irregularities have been committed, the Government of India come to the Legislature with a proposal to validate all that has been done! In doing so they ignore the fact that they are interfering with a pending suit, destroying the protection of High Courts which the public prizes above everything else, lower the dignity of the Legislature, and create throughout the country a most deplorable impression about the practical irresponsibility of the Executive Government. And yet, when it is said that the action of the Government is a practical admission that the notifications were illegal, the Hon'ble Member thinks it necessary to protest against the inference! My Lord, I think the matter is pretty clear. In any case, the view that the notifications are illegal and *ultra vires* is supported by three distinguished members of the Bombay Bar—two of them being European Barristers, who have taken no part in recent educational controversies and who occupy the foremost position in their profession at Bombay. Can the Hon'ble Member quote on the other side any authority of equal eminence, of anything like equal eminence, of any eminence at all? Is he prepared to pledge his own reputation as a lawyer to the view that the notifications are legal? And if he is not, I submit that my inference is a fair inference and I think I am entitled to draw it. The Hon'ble Member complained last time that I had no alternative course to suggest. This was surely a most extraordinary complaint to make, for in the very next sentence he proceeded to show how my suggestion, namely, that the faulty notifications should be withdrawn and others in accordance with law substituted in their place, would involve waste of time and work and prove harmful to the interests of the Universities. My Lord, I really think that it is the duty of the Government, not less than that of private individuals, to face whatever inconvenience has to be faced in obeying the law. And the only proper and dignified course for the Government was to have waited till the Bombay High Court had pronounced its judgment, and, if that decision had been adverse to the Government, to have withdrawn the notifications held to be illegal and to have substituted others in their place framed in accordance with the law, a validating Bill being at the same time introduced to legalize the work done during the interval by the defectively constituted bodies. If, on the other hand, the Court had decided in favour of the Government, nothing further need have been done in the matter unless the decision had been reversed by a higher authority. The Hon'ble

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Member drew last time a dismal picture of the results, which a state of uncertainty would produce. That picture, however, need not frighten anybody—at any rate, no one who is acquainted with the inner working of an Indian University. It would not have taken so very long after all to set matters right, and in the interval, the Vice-Chancellor and the Registrar could have carried on the ordinary executive business of the University. And whatever temporary inconvenience had resulted should have been borne as inevitable. Instead of this, the Government have chosen to adopt a course which is hardly respectful to His Majesty's Judges, which intervenes by means of legislation in favour of one party to a pending suit, which lowers the dignity of the Legislature, and which proclaims that the executive authority in this country is practically above law. I decline to be a party to such a course and I therefore beg to move the amendment which stands in my name."

The Hon'ble MR. RICHARDS said:—"My Lord, I have to ask the Council to reject the amendment just moved by the Hon'ble Mr. Gokhale, and I propose to state my reasons for doing so but briefly, because the matter has already been discussed at some length on a former occasion, and because it lies in a comparatively small compass. I do not propose to follow the Hon'ble Member in his comments on the composition of the various Faculties, nor in his discussion of the construction he would place on this somewhat complicated section of the Act. If we were arguing the case elsewhere, in a building-situate not far from this room, I should be happy to go into the matter with him, and to deal with this section in detail, and I should do so with a very strong confidence that I should persuade the tribunal that the Chancellor of the Calcutta University had kept within the four corners of the Act. But this is not the place to argue that question. This Council cannot decide the question of legality or illegality. It can make clear the meaning of the Act by legislation, but not by other means. The section is admittedly difficult to construe, and it appears to me that there must be doubts as to the correctness of any construction. The Hon'ble Member, when dealing with these matters, made it certain, I think, that there would be great confusion, even in his own view, of the construction of the section. He maintained that the election of the Provisional Syndicates was covered by the existing bye-laws. But the existing bye-laws apply to a totally different state of things, *viz.*, the election by the Faculties only; they apply to the state of the things which the Chancellors have established by their action but which the Hon'ble Member says is illegal. If the elections are to be on a totally different basis, if they are to be by the Senates not divided into Faculties, it is quite impossible to say how far those bye-laws would apply. It would be impossible to say what parts were

applicable to the election in question, and what not applicable. If elections had been held in accordance with the view of the Hon'ble Member, it seems to me that reasons as numerous and objections as formidable could have been raised to show that those elections were bad as any that have been advanced against the elections now in question.

"My Lord, I have to suggest to this Council that the matter under discussion today is one that has been very greatly exaggerated. It seems to be supposed that these Provisional Syndicates have in their hands the whole future fortunes of the Universities. It seems to be supposed that they are going to mould them for good or ill for all time. My Lord, that is not the case. These bodies are merely transitory bodies, existing for temporary purposes only, carrying on the business of the University, granting degrees, regulating examinations, and so on, for a time only, until superseded by permanent Syndicates. They have in themselves no uncontrolled authority. The Senate alone is the authority under this Act. The Provisional Syndicates can do nothing without the control of the Senate. They can submit regulations to the Senate, but it is for the Senate to say whether those regulations should be passed, and, if so, in what form. The Provisional Syndicates have not, therefore, the importance attributed to them in this discussion. .

"My Lord, in moving the introduction of this Bill, I pointed out that there was a state of confusion and doubt existing as to the status of these Provisional Syndicates, and that that state of confusion and doubt was most detrimental to the progress of the work of the Universities. I called the attention of the Council to the fact that in Bombay legal proceedings had been taken, and that in Calcutta they were threatened, and I now know that a protest has been made before the University of the Punjab. It seems impossible that the proceedings in Allahabad and Madras, which stand on the same footing, could have continued unchallenged if no action had been taken by the Government. These facts are not disputed; it is admitted that this state of doubt and confusion exists, and the question is, what is to be done? Is it right to let things drift, or is it right to do something to put a stop to this state of things? There can be only one answer. Every well-wisher of the University, and among the most sincere of these I include the Hon'ble Member who has just spoken, must desire to put an end to this state of things at once. The only question, therefore, as I submit, for the consideration of this Council is whether this Bill affords a proper remedy, or whether any remedy more suitable can be suggested. In considering this question, I would ask the Council to defer for the moment the consideration of the case of Bombay. The Hon'ble Member is shortly

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going to move an amendment relative to Bombay, and I understand from that amendment and from his statement on a former occasion, that the case of Bombay stands on a special and different footing to that of the other Universities. When he calls attention to these special circumstances, I shall be prepared to deal with the case of Bombay. At present I will consider the situation in regard to the four other Universities only. Now, in regard to these other Universities no reasonable man can contend that the objection to the procedure in the election of the Provisional Syndicates is anything else but technical. No objection of substance can be urged against these elections, which proceeded in exactly the same way as election of Syndicates have always proceeded in the past. They proceeded in the manner prescribed by the bye-laws of the University; more than that, they were held in the presence of and with the approval of the Senates and no objection or protest was made against them. Therefore, my Lord, I claim to be well founded in saying that the objection we have to deal with in the case of these Universities is the purest technicality. The Bill which I have the honour to bring before you today sets right that technical error in the promptest and least expensive way, setting at rest all doubt as to the legality of the proceedings, and allowing the progress of the work of the University to continue forthwith. Is there any other so effective a remedy? The Hon'ble Member who has just spoken has argued that legislation is not the proper course, that a Bill to explain the construction of the Act is not a proper measure to pass in the present circumstances, but that a fresh appointment of Provisional Syndicates should be made by the Senates. I answered this suggestion on a former occasion by pointing out the great delay that the latter course would entail. Another and even more fatal objection is this. The Senate can make only one appointment of a Provisional Syndicate. It has no power to revoke an appointment once made and to make another. It would be possible, therefore, for the Senate to make a fresh appointment only if it was beyond doubt that the present Provisional Syndicates were invalid. If the present Provisional Syndicates were properly appointed, as to which there is at the very least a reasonable doubt, there is no power to make a further appointment. By doing so we should be establishing a Provisional Syndicate, whose position would be at least as ambiguous as that of the present Provisional Syndicate, and it would be open to any member of the present Syndicate to bring an injunction against the second Syndicate to prevent them from acting. Confusion would thus be doubled, and the situation would be two-fold worse than at present. I cannot advise the Council to embark upon any course such as this, which must lead to increased confusion and difficulty. The fact is, my Lord, that this question can only be settled by

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litigation or legislation. Litigation involves delay and expense and a prolonged suspension of University work. Legislation is free from those drawbacks. I therefore submit to the Council that legislation is the proper and only means of putting an end to this state of affairs, and allowing the work of the University to continue, and I ask them to reject this amendment and to allow the Bill to proceed."

The Hon'ble SIR DENZIL IBBETSON said:—"I have only a few remarks which I wish to make as a member of the Select Committee which last year dealt with the Universities Bill; and I propose to confine them to a single point. Last Friday the Hon'ble Mr. Gokhale urged upon us with great insistence, and he has repeated the argument today, that if an illegal procedure has been followed, our proper course is not to condone the illegality by validating the procedure, but to remedy it by setting aside the proceedings and substituting in their place new proceedings which shall be in accordance with the law. Now the word 'illegality' has an ugly sound, and may have a very serious meaning; but I hope to be able to convince the Council that in this particular case it has very little meaning indeed. If it were the case that the action which has been taken seriously conflicted either with the intention of the Legislature or with the spirit of the law, I should admit that there was a great deal to be said for the contention of the Hon'ble Member, although even then, as the Hon'ble Mr. Richards has just shown us, there would be great difficulties in the way of adopting it; but my contention is that the action which has been taken has been closely in accord both with the intention of the Legislature and with the spirit of the law, and that whatever irregularity there may have been (if there has been any, which I must not be taken to admit for one moment) has been of a purely technical nature, and has arisen from the failure of the letter of the law to express all that it was intended to express.

"The object of the transitory provisions, the construction of which has been called in question, was to bridge over the gap between the old order of affairs and the new. Among other things they provide for the appointment of a Provisional Syndicate to carry on the business of the University until a permanent Syndicate should be appointed under the regulations, and they do so by declaring that the Senate shall appoint a Provisional Syndicate 'in such manner as the Chancellor may direct'. That is the whole of the operative provisions of the Act; that is all the help or guidance that the law gives regarding the constitution of the Provisional Syndicates. The Hon'ble Mr. Richards has just shown that the old regulations are inapplicable to the new conditions, and therefore they afford no help. Consequently, whatever guidance is to

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be got must be got from the directions of the Chancellor. Now those who attack the action which has been taken, contend that the words which I have just quoted empower the Chancellor to deal with the question of procedure only: that he could direct the Senate to meet at a given time and place, and to vote by ballot, voting papers, or show of hands, and so forth; but that, having given these directions, he had exhausted his powers under the Act and could go no further. That would mean that you would have a body of 60 or 70 members, upon which strongly conflicting views and interests are represented, brought together, and bidden then and there to appoint an important committee like the Syndicate, without one trace of guidance or instruction or direction. The result must have been chaos. Moreover, if no such directions were to be given, it would have been open to the Senate to appoint a Syndicate of 2 members, or of 20, or for the matter of that, of 200; it would have been open to them to appoint to that Syndicate men who had no connection whatever with the University; it would have been open to them to appoint a Syndicate which should not include one single representative of education; it would have been open to them to exclude the Vice-Chancellor altogether. In all these respects they would, as will presently appear, have contravened the plainly declared intention of the law. Now I do not suggest for a moment that the Bombay Senate or any other Senate would have actually done all or any of these things. But I do suggest that it could not have been the intention of the Legislature to leave it open to the Senate to do these things; that it could not have been the intention of the Select Committee which framed the transitory provisions, or of this Council which passed them into law, to leave the Senate absolutely in the air—absolutely without guidance in such an important matter. As regards the Select Committee, of which the Hon'ble Member and myself were both members, my recollection is that that was *not* our intention; that we contemplated the issue by the Chancellors, not of course of the precise directions, but of precisely the *sort* of directions which they have issued; and that we intended to confer upon them the power to issue directions of that nature.

“But if it is true that the action which has been taken by the Chancellors was covered by the discretion which it was intended to confer upon them, it is equally true that that action is in accord with the whole spirit and intention of the law as evidenced by its permanent provisions. I am afraid that I must take the case of Bombay to exemplify my argument, as I have not got with me details of the action of the other Universities. But allowing for differences, which are only differences of detail, what I am about to say is equally true of the action of all the other Chancellors. Now when the Bombay Chancellor framed his direc-

tions to the Senate in the exercise of the discretion which he believed the law to have given him, he evidently kept two main objects before him. He followed closely the permanent provisions of the law, so as to make the Provisional Syndicate coincide as nearly as possible with what the permanent Syndicate will be when it comes to be appointed; and whenever those permanent provisions left a point open and gave him discretion, he adhered to the old practice of the University. Thus section 15 lays down that the Vice-Chancellor and the Director of Public Instruction shall be members of the permanent Syndicate, and the Chancellor appointed them to the Provisional Syndicate. Section 15 lays down that the number of elected Syndics shall not be less than 7 or more than 15: the past practice of the Bombay University has been to elect 10, and the Chancellor directed the Senate to elect 10 to the Provisional Syndicate. Section 15 prescribes the proportion which the elected Syndics must include of Principals of or Professors in a College affiliated to the University: the Chancellor applied that prescription without alteration to the Provisional Syndicate. Finally, section 15 prescribes that the elected members of the Syndicate are to be 'elected by the Senate or by the Faculties in such manner as may be provided by the regulations.' Now that discretion, which permits election by the Senate or the Faculties, was inserted in order to avoid a disturbance of the existing practice, which is, that in Allahabad the Senate, and I believe in all other Universities; and certainly in Bombay, the Faculties, elect the elected members of the Syndicate; and, if it had been possible to do so, there can be no doubt that the transitory provisions would have given the same discretion. But it was not possible to do so, for the very simple reason that the constitution of the Syndicate under sub-section (*p*) precedes the constitution of the Faculties under sub-section (*q*), so that at the time when the Syndicate would have to be appointed there would be no Faculties in existence. That is precisely the sort of point which it was intended to cover by the exercise of the discretion which it was intended to give to the Chancellor. In the exercise of that discretion he divided the Senate, for this temporary purpose only, into four groups corresponding with the four Faculties of Arts, Law, Medicine, and Engineering, and allotted to each the same number of elected Syndics which the old regulations allot to the corresponding Faculty.

"I hope I have succeeded in showing, my Lord, that the discretion which has been exercised by the Chancellors was precisely the sort of discretion which the Legislature intended to confer upon them; that in exercising it they have scrupulously endeavoured to follow the prescriptions of the law and to respect existing practice; and that the irregularity, if any, has been purely verbal,

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technical and unimportant, and that the Council may condone it with a clear conscience."

The Hon'ble MR. GOKHALE said:—"My Lord, I desire to offer a few observations by way of reply to what has fallen from the Hon'ble Mr Richards and the Hon'ble Sir Denzil Ibbetson. The Hon'ble Mr. Richards began by saying that the confusion that has been caused is admitted by everybody, but this Council is not the place where the legality or otherwise of the notifications issued by the Chancellors can be profitably discussed. I am inclined to agree with him, but he will not allow me to discuss it anywhere else. As a matter of fact, my friends have taken the matter to the High Court, which is surely a properly constituted body to discuss the legality or otherwise of what has been done. But the Hon'ble Member will intervene, before the High Court has delivered its decision, and he will pass a law which will take the matter out of the jurisdiction of the High Court, so that, if I may say so, the responsibility for the question being raised here is the Hon'ble Member's and not mine.

"Then, my Lord, the Hon'ble Member said that the Provisional Syndicate is only a transitory body and therefore so much fuss need not be made over the manner in which it has been constituted. He said, after all, what will the Provisional Syndicate do? It will attend to the duty of conferring degrees and to a few small details of executive administration. He forgets, however, that the principal work of this Provisional Syndicate will be to draft the regulations, which afterwards are to govern the conduct of the business of the University. In Bombay, no matter can be first brought before the Senate until it has been first considered by the Syndicate, and therefore the whole future administration of the University really depends in a measure upon the Provisional Syndicate, and one can easily see how important it is to have it properly constituted.

"The Hon'ble Sir Denzil Ibbetson has referred to what was in the mind of the Select Committee when these transitory provisions were framed. I, too, was a member of the Select Committee, but I did not refer before this to what took place in the Select Committee, because I understood that a reference to the proceedings of the Select Committee was not allowed, as they are confidential. However, I may very well follow the example of the Hon'ble Member, and may say this: if my recollection is right, the Select Committee did not intend that the Provisional Syndicate should be constituted as it has been in so many places. As a matter of fact, I remember it being said that the principal work of the Provisional Syndicate would be the drafting of rules and regulations, and

for that it would be necessary to have a body of men who had the confidence of the whole Senate, and that was all that was necessary to provide.

"The Hon'ble Member proceeded to say that, unless the Chancellor had given certain specific directions, there would have been confusion, as there was conflict between the Act and the old regulations.

"I think, however, that this fear was groundless. The Act of last year contemplates three authorities being put together before any action is taken. There is, first of all, the Act, which is of course above everything else. After the Act come the regulations, which have not been expressly or impliedly superseded. If there is any conflict between the two, the Act prevails and the regulations go. If there is nothing to bring about a conflict between the two, the regulations supplement the Act. It is only after the Act and after the regulations that the discretion of the Chancellor comes in. The discretion of the Chancellor is to support the regulations and the Act and not to twist the express language of the Act or of the regulations that are already in force so as to suit his own view of things. If you take these three things together, what do you see? You first of all see that the Act requires that the election shall be by the Senate. Therefore, if the old regulations say that the election should be by Faculties, those regulations are to that extent inoperative. Again, if the old regulations say that the number shall be so and so, the number is not left to the Chancellor. However, I do not wish to elaborate this point any further. The Hon'ble Member said that the Chancellor of Bombay had scrupulously followed the old regulations in the grouping of the members of the Senate. The Hon'ble Member is entirely mistaken. In old times, where a man held a degree in more Faculties than one, he was appointed a Fellow in all those Faculties. The Chancellor, however, has arbitrarily restricted the members to certain Faculties. For instance, Sir Pherozeshah Mehta holds only an Arts degree, so far as the Bombay University is concerned. He has, however, been relegated to the Law Faculty and removed from the Faculty of Arts. Under the old regulations this would not have been possible.

"I do not think that I need detain the Council further. The defects that you are going to validate are not merely technical, and there is an important principle involved, and I therefore submit that the Bill should not be proceeded with."

The amendment was put and negatived.

The Hon'ble MR. GOKHALE said:—"When I gave notice of the second amendment standing in my name [*viz.*, that for the words "*the Bill to validate action taken under the Indian Universities Act, 1904, be taken into considera-*

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tion" in the motion of the Hon'ble Mr. Richards, the words "the consideration of the Bill to validate action taken under the Indian Universities Act, 1904, be postponed till the 24th February, 1905, or to such later date as may be thought proper", be substituted], the High Court of Bombay had not postponed the suit before it *sine die*, and my object in sending notice of this amendment was to give the High Court an opportunity of pronouncing a judgment before this Bill was passed. As, however, the suit has been postponed *sine die*, there is no point in my moving this amendment, and, therefore, I beg leave to withdraw it."

His Excellency THE PRESIDENT said:—"The first amendment of the Hon'ble Member having been defeated and the second having been withdrawn, I now have to put the original motion of the Hon'ble Mr. Richards."

The motion was put and agreed to.

The Hon'ble MR. GOKHALE moved that after clause 1 of the Bill the following clause be added, clauses 2 and 3 being re-numbered 3 and 4, respectively, namely:—

"2. Nothing in this Act shall apply to the University of Bombay."

He said:—"My Lord, I have already twice referred to what has taken place at Bombay, but in asking that the Bombay University be excluded from the operation of this Bill, I must recapitulate once more the facts on which I base my motion, and I hope the Council will bear with me while I do so. The most important difference between Bombay and elsewhere has been this—that while in other places the illegality of the notifications was not discovered before the elections and no formal protests were in consequence made at the time, in Bombay even this plea of acquiescence on the part of members of the Senate is not available to Government. Of course such acquiescence or the absence of it does not affect the legal position, but it is a moral consideration of very real importance. In Bombay, the illegal character of the notification was perceived as soon as it was issued. The members, who perceived it, thereupon took legal opinion. They first consulted Mr. Inverarity and the Hon'ble Mr. Setalwad, who both condemned the notification in unequivocal and emphatic terms as illegal. Then they consulted Mr. Lowndes, who was equally emphatic in his condemnation. All three Counsel thought that the illegality was so patent that it had only to be brought to the notice of the Chancellor, and they felt confident that he would see the necessity of withdrawing the notification. Armed with these opinions, Sir Pherozeshah Mehta, himself a lawyer occupying a commanding position at the Bar, and several other Fellows approached the Chancellor and asked for a

reconsideration of the question before it was too late. All this was done before the date of the first election. The University authorities, however, took it upon themselves to ignore the whole thing and proceeded to hold the elections as directed in the notification. At the meeting of the Arts group, the Vice-Chancellor presided and he allowed a motion to adjourn, so as to give time to the Chancellor to reconsider the matter, to be put to the meeting. The next day, the Law group met, the Judicial Member of the Bombay Government, whose interest in University matters has hitherto been by no means conspicuous, attended and took the chair, which otherwise would have been taken by the Senior Fellow present—Sir Pherozeshah Mehta—and flouting the ruling of the Vice-Chancellor of the previous day, ruled a motion for adjournment out of order, and after a majority of the members present had left the meeting under protest, got the remaining five, including himself, to elect the two representatives for Law. These high-handed proceedings left no option to those who saw the illegality and declined to be a party to it but to go to the High Court. And, on this being done, the University authorities have come to the Supreme Government with an appeal to shield them and save their prestige by means of a validating measure. My Lord, to use the powers of the Legislature for validating what has taken place in Bombay is to abuse those powers. For it means validating illegalities committed in the light of day and in spite of warnings and protests. It means validating high-handedness. It means interfering with a pending suit, which on the part of private individuals is regarded as contempt of Court. It means coming between the aggrieved party and the protection which it has a right to look for at the hands of the High Court. It means securing for the wrong-doer the fruits of his wrong-doing. Finally it means penalizing those who have declined to be a party to an illegal proceeding and have done their best to have it set right; for, as I pointed out last time, these men did not take any part in the elections—they did not allow themselves to be nominated as candidates, and they did not vote, fully believing that the illegal elections could not be upheld and would have to be set aside; and to uphold the elections now by means of legislation is to disfranchise them. Then, my Lord, there is the question of costs. These men have had to spend money in taking the course they were compelled to take. Counsel do not give their opinion for nothing, neither do they appear to argue a case for nothing, and if the matter had been left to be decided by the High Court, their costs would probably have been awarded to them, if the decision had been in their favour. My Lord, does the Legislature exist for the perpetration of what may be called legislative injustice? Was no other course open to the Government? In Rom-

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bay, at any rate, there is no question of the Senate having to be reconstituted. The only thing needed is to withdraw the notification about the election of the Syndicate and substitute another in its place in accordance with law. This could be done at once and the new elections might take place in a week's time after that. Surely the University of Bombay can exist for a week without a Syndicate, and even the Hon'ble Member in charge of the Bill will have to admit that, when it is remembered that from 8th December, when the notification about the new Senate appeared, to 17th January, when the Provisional Syndicate was formed—*i.e.*, for more than five weeks—there was no Syndicate in Bombay, and the Vice-Chancellor and the Registrar carried on the executive business of the University without any hitch. There is thus no reasonable ground for undertaking the present legislation for Bombay, while there are several most important considerations against the course adopted by the Government. I therefore beg to move that the Bombay University be excluded from the scope of the Bill."

The Hon'ble MR. RICHARDS said:—"My Lord, I have to ask the Council to reject the amendment which the Hon'ble Member has just put forward. My Lord, that amendment was based on the ground that a special grievance exists in the case of Bombay, and that owing to the withdrawal of certain gentlemen from the elections held by the Faculties of that University proper representatives have not been elected. In his speech last week the Hon'ble Member said that the elections were by a handful of men in each group. He said that the effect of that had been to disfranchise a large number of Fellows, and he left us to conclude that in consequence of these gentlemen having abstained from taking part in the election after obtaining the opinion of lawyers to the effect that these proceedings were illegal, the members of the Provisional Syndicate then elected were not properly representative of the Faculties.

"My Lord, I was struck with what the Hon'ble Member said, and I have gone into the question of how these members of that Provisional Syndicate were elected. I have taken my facts from the plaint lodged by the plaintiffs in the recent proceedings in Bombay, and I think I may presume that they are there stated as favourably as possible for those who are opposed to this Bill. Now, the facts are these, as stated in the plaint. There were to be ten members elected by the Faculties; four were to be elected by the Faculty of Arts, two by the Faculty of Engineering, two by the Faculty of Medicine, and two by the Faculty of Law. The Faculty of Arts consisted of forty-five members who had to elect four Syndicates. Of these forty-five one protested and withdrew. It cannot reasonably be said that the abstention or withdrawal of that

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gentleman affected in any way the choice of the members for the Faculty of Arts. We, therefore, get four out of ten without possible criticism. In the Engineering Faculty there was no protest and no withdrawal. In the Faculty of Medicine there were twenty-two electors, of whom two did not vote. There were two Syndics elected by that Faculty, and it can hardly be said that the withdrawal of two of the electors has caused any serious grievance. In Law there were twenty-five electors to elect two Syndics, there were six withdrawals, and no doubt it is quite fair to say that six withdrawals may have affected the results of the election. But have the results of the election been improper or other than could have been desired? The two Syndics elected were a very eminent Judge of the High Court, the Hon'ble Mr. Chandavarkar, and Mr. Ganput S. Rao, Principal of the Government Law School and Perry Professor of Jurisprudence in Bombay. Those gentlemen were the only gentlemen nominated, and they were elected without opposition, and I suppose there is nobody who knows those gentlemen who can imagine two more fit persons to represent the Faculty of Law.

“ My Lord, there is no grievance at all here of substance. The withdrawals have not affected the representation except in one case. In that case they might have done so, but the result there was that two gentlemen were elected who are eminently fitted for the position. Therefore, I submit that there are no special reasons for the exclusion of Bombay from this Bill, and I ask the Council to reject the amendment that has been moved.”

The Hon'ble MR. GOKHALE said :—“ My Lord, the Hon'ble Member seems to be labouring under a strange misapprehension about the numbers that he has given us. He has given us the total numbers in the various groups, not the numbers actually present. When this Bill was introduced here, I wrote to Bombay asking for the figures of those actually present. I have got them, but I did not care to trouble the Council with them. However, as the Hon'ble Member has mentioned the matter, let me explain what actually happened. In the Faculty of Law there were 11 members present. Of these 6 withdrew. It is quite true that the total Faculty of Law consists of 22, but when this question of legality was raised, many thought the proceedings were illegal and did not care to attend, so that only 11 attended, and out of these 6 withdrew. It is absolutely clear that if the 6 had remained they would have elected such persons as they might have cared to do. In the same manner the Faculty of Arts consisted of 45 members, but I understand that only about 20 members were present. The rest did not care to attend, owing to the question of legality that was raised. In fact, those who were in favour of the new order of things attended while those who were against the new order of things abstained.

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Therefore, it cannot be said that only one man was against the election of those 4 members.

"In the Faculty of Engineering, the Faculty consisted almost entirely of Government officers, to whom we do not look for independent action.

"In the Faculty of Medicine too the actual voting was confined to a very small number. Therefore, it is no use giving the total numbers of the different groups and making deductions only of those who openly seceded, which leaves it to be inferred that the rest were in favour of these elections.

"Then as regards the question that the members who have been elected are all right and are fully representative of all interests. I deliberately did not care to raise that question, because it involves a discussion about the qualifications and disqualifications of individuals. As the Hon'ble Member has, however, done it, I must to a certain extent follow his example. It is quite true that the Hon'ble Mr. Chandarvarkar has been elected in the Faculty of Law, but the fact that Mr. Chandarvarkar did not care to defend the suit that was brought against the new Syndicate shows what importance he attaches to the proceedings. Moreover, my Lord, the question is whether the different groups were so formed as to provide for the inclusion in the Syndicate of what may be called independent Indian gentlemen, that is, Indian gentlemen who are not Government servants, and from this standpoint, the composition of the Syndicate is far from satisfactory.

"Now take the Faculty of Arts. All the four men who represent the Faculty of Arts are professors. Now when this Council provided last year that at least half the members of each Faculty should belong to the teaching profession, surely nobody in this Council contemplated that all the seats that were reserved for any Faculty should be appropriated by the teaching element. All four of the men who represent the Faculty are professors, and the Faculty itself has been so composed as to have a very large preponderance of professors.

"Thus the Council will see that there are good reasons to be dissatisfied with the constitution of the Syndicate.

"But whether the *personnel* is satisfactory or not, the point is that the election was proceeded with in spite of illegalities which were pointed out. And my contention is that if there was even one man unjustly disfranchised, the Legislature is not justified in setting aside the legal claims of that one man, no matter what inconvenience might result."

[*Mr. Richards ; Rai Sri Ram Bahadur.*] [10TH FEBRUARY, 1905.]

The Council divided :—

Ayes—5.

The Hon'ble Nawab Fateh Ali Khan.
The Hon'ble Rai Sri Ram Bahadur.
The Hon'ble Rai Bahadur B. K. Bose.
The Hon'ble Nawab Saiyid Muhammad.
The Hon'ble Mr. Gopal Krishna Gokhale.

Noes—14.

The Hon'ble Mr. H. A. Sim.
The Hon'ble Mr. L. Hare.
The Hon'ble Mr. A. D. Younghusband.
The Hon'ble Mr. L. A. S. Porter.
The Hon'ble Mr. H. Adamson.
The Hon'ble Mr. E. Cable.
The Hon'ble Mr. E. N. Baker.
The Hon'ble Mr. J. P. Hewett.
The Hon'ble Mr. H. Erle Richards.
The Hon'ble Sir Denzil Ibbetson.
The Hon'ble Sir A. T. Arundel.
The Hon'ble Major General Sir E. R. Elles.
His Excellency the Commander-in-Chief.
His Honour the Lieutenant-Governor.

So the motion was negatived.

The Hon'ble MR. RICHARDS moved that the Bill be passed.

The Hon'ble RAI SRI RAM BAHADUR said :—"My Lord, with regard to the motion before the Council I have to say a few words. As has already been pointed out by my friend the Hon'ble Mr. Gokhale, Government ought to have adopted the more proper and the more constitutional method of cancelling the notifications issued and orders and appointments made under the provisions of the Indian Universities Act, the legality of which has been challenged, and ought to have proceeded afresh according to law. The introduction of the Bill now before us shows that the doubts raised against the legality of the action taken under those provisions are not groundless.

"It is a unique procedure for the Government—and for which no emergency has been shown to have arisen—to resort to legislation in order to validate the actions of the Executive which are illegal or at least of doubtful legality. This will create a precedent which is not called for by the exigencies of the case.

"I therefore vote against the passing of the Bill."

[10TH FEBRUARY, 1905.] [*Nawab Saiyid Muhammad.*]

The Hon'ble NAWAB SAIYID MUHAMMAD SAHIB BAHADUR said :—" My Lord, I cannot help regretting at the outset that this measure should have been brought forward before the Council. The function of the Legislature is to frame laws, and it is for the duly constituted Courts of Justice to interpret them. If fresh legislation were resorted to whenever the interpretation of any provision of the law was in doubt, there would be no finality as regards any measure passed by the Legislature of the country. It is less than a year that the Indian Universities Act was passed, and the arrangements now made for carrying on the affairs of the different Universities are all temporary and provisional. But the Act as it stands is binding upon all. The Bill before us merely seeks to validate action already taken under the Act of 1904 to constitute the Faculties and the Syndicates. The Hon'ble the Law Member, in the course of his remarks at the last meeting of the Council, said ' this Council cannot decide on the legality or illegality of the action of the Chancellors.' I quite admit the soundness of this view. But the real point is whether the action of the Chancellors is legal or illegal, and this very issue has been brought before a competent Court of Justice, and it seems to me that a measure of this kind can only follow an authoritative ruling on the interpretation of the present law but ought not to anticipate it.

" I regret I cannot concur in the view that the present state of suspense is likely to paralyse the business of the Universities. That is an argument that applies to every law when it is in dispute, and I venture to think that the Legislature is not invited to step in and to interpret the law by a piece of fresh legislation.

" My Lord, the entire question is one of interpretation of the existing law. The Chancellors have placed upon it a certain interpretation and have acted accordingly. That interpretation, according to other eminent persons, is not in accordance with the law. It is for the Courts of Justice to decide which view is correct, and I submit it is not for the Legislature to appropriate to itself the function of the Law Courts. My Lord, this measure also seeks to restrict the constitutions of the Universities themselves. It is a question of vital importance whether the right of electing the Syndicate should rest with the Senate as a body, or be relegated to the Faculties, in the election of which the Senate has no share. The contention is that the Act of 1904 gives this right to the Senate while the measure before us seeks to deprive that body of the right. As a matter of fact, no opportunity has been given to the Senates to exercise that right or even to establish it."

The Hon'ble MR. GOKHALE said :—"My Lord, I have already spoken thrice on this Bill, but I cannot let it pass without a final word of protest. My Lord, British rule in this country has hitherto been described—and on the whole, with good reason—as the reign of law. A few more measures, however, like the present, and that description will have to be abandoned and another substituted for it, namely, reign of Executive irresponsibility and validating legislation. My Lord, the Government are paying too great a price for what is undoubtedly an attempt to save the prestige of its officers. But is prestige ever so saved? On the other hand, an occasional admission of fallibility is not bad—especially for a strong Government like the British Government. It introduces a touch of the human into what ordinarily moves with machine-like rigidity. It enhances the respect of the people for law, because they are enabled to realize that even the Government respects it. And it strengthens the hold of the Government on the people, because they see that, in spite of its strength, it has a tender and scrupulous regard for the limitations imposed by the Legislature upon it. My Lord, may I, in this connection, without impertinence, say one word about Your Lordship personally? Whatever differences of opinion there may be in the country about some of the measures of Your Lordship's administration, the impression hitherto has been general that during your time the Local Governments and Administrations have had to realize more fully than before that there is a controlling and vigilant authority over them at the head and that this authority will tolerate no irregularities on their part. It is a matter of disappointment that this impression should not have been justified in the present instance. My Lord, public opinion in this country being as feeble as it is, the only two bodies that control the exercise of absolute power by the Executive are the Legislature which lays down the law, and the High Courts which see that the law is obeyed. If now the Government is to destroy the protection which the High Courts afford by means of validating legislation, and if the Legislature is to be reduced to the position of a mere handmaid of the Executive, to be utilized for passing such legislation, what is there left to stand between the people and the irresponsible will of the Executive? My Lord, I feel keenly this humiliation of my country's Legislature; for though we, Indian Members, have at present a very minor and almost insignificant part in its deliberations, it is after all our country's Legislature. Moreover, I have a feeling of faith that in the fulness of time our position in it will be much more satisfactory than at present, and anything that lowers it in the eyes of my countrymen cannot but be regarded with profound regret. My Lord, I will vote against the passing of this Bill."

[10TH FEBRUARY, 1905.] [*The Lieutenant-Governor.*]

HIS Honour THE LIEUTENANT-GOVERNOR said:—"My Lord, I desire in regard to my own personal opinion to state that I thoroughly agree with the Hon'ble Sir Denzil Ibbetson as to the reasonableness of the action which has been taken by the Chancellors of the Universities in regard to the constitution of the Senates and Syndicates. I also agree with him that the action taken has been undoubtedly in accordance with the spirit of the Universities Act and with the intention of the Legislature in regard to what are called the 'transitory provisions' of that Act. I shall not trouble the Council with any remarks in this connection.

"I shall only detain Hon'ble Members for a few minutes with a view of indicating what action has been taken in the Senate of the University of Calcutta in connection with this matter. Although I may not be able to agree with all that has been said or done in the Senate, and may regret that time has, to some extent, been wasted, yet on the whole I think that the action taken has been, in all the circumstances, reasonable, and has not been characterised on the part of either section of the Senate by a desire to obstruct the business of the University.

"No doubt seems to have suggested itself to the minds of the members of the Calcutta Senate as to the legality of the notifications issued by His Excellency the Chancellor in regard to the formation of Faculties, the election of the members who require to be elected by Faculties, and the election of the Syndicate, until they heard what had taken place in Bombay. There was undoubtedly some dissatisfaction with the constitution of the Syndicate in regard to the exclusion of one or two names; but this was attributable to the particular manner in which certain members of the Senate exercised their votes and not to the directions contained in the notifications. When, however, doubts were thrown in Bombay on the legality of the notifications and the validity of the election of the Syndicate, the minds of certain members of the Calcutta Senate became disturbed. On Friday, the 27th ultimo, my friend Sir Gooroodas Banerji proposed a motion accepting the alleged illegality as a fact and declining to deal with the recommendations which the Syndicate had submitted to the Senate. He has since informed me that he intended to follow up that motion, if it was carried, with a proposal to continue the business of the day by taking up the substance of the Syndicate's recommendations as though they had arisen on the spot instead of having come from the Syndicate. Unfortunately he had given no notice of this second motion; and his first motion was resisted and defeated after the loss of a great deal of time; and the discussion of the amendment, which had become the substantive motion, was adjourned until Friday last. On that date Mr. Sinha was to

have moved the following motion, 'As doubts have been raised regarding the validity of the appointment of the Provisional Syndicate, the Senate request His Excellency the Chancellor to take such steps in the matter as may be deemed necessary; and in the meanwhile the Senate do proceed with the current business of the University.' I have quoted the terms of this motion, which I have no doubt would have been adopted by the Senate, because I consider that it is under the circumstances a very reasonable motion, enabling the Senate to go on with the business of the University and leave the question of legality to be settled elsewhere. The motion, however, was withdrawn because of a letter which I had written as Rector of the University to the Vice-Chancellor from this Council Chamber in the morning, informing him of the introduction of this Bill and expressing a hope that the Senate might now go on with its business. That letter was read to the Senate by the Vice-Chancellor; and the Senate, feeling that the reasonable suggestion of Mr. Sinha had been already anticipated by His Excellency the Chancellor, went on to the business of the day. I may remark that the Revd. Father Lafont had given notice of another motion for the meeting of Wednesday last, questioning the legality of the position of two members of the Syndicate, and proposing that the Senate should take the necessary steps for a valid election of the members to represent the Faculty of Science. His fear was that, as the Faculty of Science does not exist at present under the regulations, the position of these members might be impugned. Finding, however, that the Bill now before this Council would validate the constitution of the Syndicate as it exists, he withdrew his motion. This indicates the *bonâ fides* of his doubts and his desire not unnecessarily to impede the work of the University.

"Another point in the procedure of the Calcutta Senate to which I wish to draw special attention is, that the Senate have fully recognised that the separation of the members of the Senate into Faculties by His Excellency the Chancellor was effected (as the notifications show) for two specific purposes only, namely, firstly, for the election of Fellows who require to be elected by the Faculties under section 6 (b) in accordance with the provisions of section 12 (c), and, secondly, for the election of the Provisional Syndicate under section 12 (p). The Senate have therefore since gone on to constitute Provisional Faculties for all other purposes, under the powers conferred on them by section 12 (q). They have not conceived the notion that the notifications of the Chancellor were intended to supersede the powers given to them by section 12 (q), but have realised that these notifications were issued for the specific purposes indicated therein.

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"The third point which I wish to emphasise in the action of the Senate of the Calcutta University is, that they have gone on to elect Committees under section 12 (g), as proposed by the Syndicate, the two sections of the Senate consulting together as to the membership of these Committees, the constitution of which has accordingly been unanimously approved. This course of procedure seems to me to be admirably adapted to the furtherance of University business. The only exception was in the case of a recommendation by the Syndicate that the Syndicate itself should formulate regulations on some more important subjects. The Senate by a small majority decided rather to appoint a Committee of thirteen. There is no doubt that this motion was carried mainly on account of the dissatisfaction to which I have already referred as existing in the minds of some members of the Senate with the membership of the Syndicate. The Syndicate consists of ten members and the Vice-Chancellor. The Registrar also sits on the Syndicate though not as a member of their body. In the Committee of thirteen that was formed by the Senate, every member being ballotted for there were retained the Vice-Chancellor, the Registrar and seven out of ten members of the Syndicate. Three members of the Syndicate had, in consequence of the vote, to give place on the Committee to three others. In one case Surgeon-General Bomford took the place of Lieutenant-Colonel Harris of the Indian Medical Service, it being reasonable that the former should be on this temporary Committee, though he could hardly be on the Syndicate, being so little in Calcutta. In another case an officer, Mr. Russell, who is going on leave, was not selected ; but Mr. P. K. Roy was selected in his place for this work. The third case was the substitution of Mr. Percival for Mr. Wheeler. The only additional name may be regarded as that of the Revd. Father Lafont. The mere statement of the facts shows that the method of election by Faculties produced substantially the same result which would have arisen by the method of election by the whole Senate, and the method adopted of bringing in a name which was omitted more by accident than by design was a reasonable and proper method.

"My Lord, I have mentioned these facts to show that although the business of the Senate of the University of Calcutta might have been a little more promptly disposed of but for the doubts which have arisen in Bombay, yet there has been little manifestation of the spirit of obstruction ; and I am glad to say that the preliminary business has been completely disposed of. It seems to me that the work of the Universities will never go on, as surely all of us desire that it should, without something of give and take and courteous consultation among the members of the Senate, and an earnest desire not to

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waste time but to get work done. It is because this Bill secures most easily and effectively the carrying on of the work of the University that I strongly support it. I cannot sympathize with what has fallen from the Hon'ble Mr. Gokhale as to the trifling importance of the loss of precious time and of valuable work in connection with the University; and I cannot believe that when Mr. Gokhale looks at this matter more carefully and dispassionately he will be prepared to state such a view as strongly as he has done. He has spoken of the fact that we are accustomed to see the work of the Universities interrupted by such calamities as plague; and he thinks that this fact ought to lead us to believe that the work of the Universities should be interrupted by these doubts regarding the validity of the constitution of the Provisional Syndicate. If we could remove plague as easily as we can solve these doubts, we should be inexcusable for allowing the work of the Universities to be interrupted by plague. It is because I think that it is the duty of this Council to remove these doubts, to prevent the waste of money and of time in litigation, and to facilitate the work of the Universities in its preliminary stages, in accordance with the intention of the Legislature in passing the transitory provisions in the Act last year, that I support the Bill now before the Council."

His Excellency THE PRESIDENT said:—"In spite of the heroics in which the Hon'ble Mr. Gokhale indulged in his concluding speech just now, I venture to think that the truest remark that has been made this morning fell from my Hon'ble Colleague sitting upon my left, when he said that the importance of this matter has been gravely exaggerated. As I understand the case, the question before us is essentially a small one. When we passed our Universities Bill last year, it became necessary to provide for a transitional period before the new constitution came into final operation. For this purpose what are called the transitory provisions were inserted in section 12 of the Act. I confess that I was never very much enamoured of those provisions myself. They contain a number of conundrums almost unintelligible to the mind of the average layman, and certainly unintelligible to myself. But I would remind the Council that they were no part of the original Bill. We owe those transitory provisions in the main to the ingenuity of a learned Judge of the High Court of Calcutta, a Member of this Council a year ago, a member of the Select Committee that was responsible for turning the Bill into its present shape, and one of the most consistent allies of the Hon'ble Mr. Gokhale himself. Mr. Gokhale in one of his speeches said he wondered what Sir Thomas Raleigh would think of our procedure today. I earnestly hope that Sir Thomas Raleigh in his peaceful retreat in England will not bother himself about

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anything so essentially trivial. But if he is in anxiety about the views of Sir Thomas Raleigh, what must be the mental position of the learned Judge?

“Under one of the sub-sections of this section 12 a Provisional Syndicate was to be appointed to carry on the business of the University and to frame the necessary regulations in the interval before the permanent Syndicate was appointed later on. The Provisional Syndicate was to be appointed by the Senate in such a manner as the Chancellor might direct. Upon this authority the various Chancellors in the various Universities proceeded to act, and the various Provisional Syndicates were elected, not always in the same way. I know nothing of the proceedings that took place at the other Universities, because I was absent from India at the time: neither had I anything to do with the constitution of the Provisional Syndicate here, beyond indicating the method of procedure for the election, as I was by the terms of the Statute bound to do. The Hon'ble Mr. Gokhale is good enough to tell me that my action was irregular throughout. With all respect I must decline to take him as an authority upon a matter of law. I have other legal advisers whose opinions are perhaps equal to his own and whose views do not coincide with his. I knew nothing of the Provisional Faculties or of the elections that they made. The first I heard of it was when I saw their names in the newspapers. Any suspicion, therefore, that the Government at large, or the Chancellor of the Calcutta University in particular, were trying to arrange matters in accordance with their views is absolutely groundless. We have not any certain knowledge whether our action was even illegal. Reading the Act as a layman I should be very much inclined to say that the action, in Calcutta at any rate, was strictly legal, and such, I believe, is the opinion of the Hon'ble Member who sits upon my left. But even if it was illegal, it is surely quite clear that the illegality was of the most petty description and was due to an ambiguity in the wording of the Act for which the Government were not mainly responsible.

“Now what has happened? The question of legality has been raised, not here, but in Bombay. There the matter seems, I agree with the Hon'ble Member in that respect, to be rather more open to doubt, though, while agreeing with him on that point, I must state that he had no right whatever to say in his speech the other day, and to repeat in one of his speeches today, that the Government by their action had admitted the illegality themselves. That is far from being our position. On the contrary, it was disputed by Mr. Richards throughout.

[10TH FEBRUARY, 1905.] [The President.]

“Anyhow, the matter was raised in Bombay and was brought before the High Court there. It might equally have been raised here; we had reason to believe that the friends of the Hon’ble Member in this city were waiting to see what happened at Bombay in order to raise the question here. An era of litigation appeared therefore to threaten. And what did litigation mean? It meant not only the sometimes dilatory process before the Courts of Law with which we are familiar in this country, but also suspension of the work of the Universities until the point was settled, perhaps months later on. I quite agree with what has just fallen from His Honour the Lieutenant-Governor on this point. I was surprised to hear the Hon’ble Mr. Gokhale say last week that this did not much matter, that he was even willing that months should be wasted before this question was settled. That phrase would come naturally enough from the lips of a professed enemy of the Government, but it does not come so well from the mouth of a sincere friend of education, which is the light in which we always prefer to regard the Hon’ble Member and in which he always depicts himself in this Chamber. This is the situation that the Government by the ordinary and obvious means placed at their disposal intervened to stop. Thereupon the Hon’ble Member tells us that our action is arbitrary, that we have assumed a position of practical irresponsibility which has produced a most deplorable effect, and just now, in a moving peroration, he even indicated that the reign of law was coming to an end in India, and I am not quite certain that he did not set it down to my discredit that I was to be the Viceroy under whom this disastrous state of affairs was about for the first time to arise.

“Now I need hardly tell Hon’ble Members that when the Hon’ble Mr. Gokhale made these remarks, he made them not for this assembly but for the benefit of his friends outside. The Government, in introducing a validating Bill, to resolve the doubts that have arisen, are not doing anything that they have not done before; there is no novelty in their action; they are not intervening to secure anything for Government which we want and which we ought not to seek. All that we are doing is to intervene to prevent the unfortunate consequences that have already in part resulted, and that might result in an even greater degree, from an ambiguity in the wording of the Bill; and as for the deplorable effect that is alleged to have been produced, I think a much more deplorable effect would have ensued had the Government not interfered, and had they allowed this state of suspended animation, of interrupted work, on the part of the bodies that we spent so much time in constituting last year, to continue.

[10TH FEBRUARY, 1905.] [*The President.*]

“Of course the Hon'ble Member sees in our action much more. In his eyes I am afraid that the Government are always guilty of dark deeds, which it is his duty to discover and lay bare. He said, for instance, this morning that what had already happened showed how true were the prophecies of himself and his friends a year ago. He remarked that some of their fears had been more or less realized. Well, I was waiting to discover what those fears were; but he then passed away from the subject. I think it was prudent on his part to introduce these qualifications for this reason. The particular fear in which the Hon'ble Member habitually indulged last year, and which figured in almost all his speeches, was that the Government was going to pack the Senates of the new Universities. He wrote in his Note of Dissent that ‘the net result of the constitutional provisions of the Bill will be to place the Indian element in so hopeless a minority as to dissociate it for all practical purposes from the government of the Universities. This much is clear, the rest is doubtful.’ Then in one of his speeches later on, which I remember rebuking at the time, he said that the Senates of the future would be dominantly European with only a slight sprinkling of Indians just to keep up appearances. Now let us see how the fears of the Hon'ble Member have been more or less realized. In the Senate of the Calcutta University, for which I am in the main responsible, the Indians are in a majority over the Europeans of 3; in the Bombay University, which the Hon'ble Member knows so well, the Natives have a majority of 14. In other words, 57 out of 100 is what he described by anticipation as a slight sprinkling of Natives. In Lahore the Natives are in a majority of 3. In fact, the Universities of Madras and Allahabad are the only two Universities upon the Senates of which the Europeans are in the majority; and their majority in Madras is only 4 and in Allahabad only 5.

“The Hon'ble Member has been very eloquent today about the attitude of Government, and I have ventured, I hope without offence, to reply to him. May I suggest to him that he should turn his attention for a moment to the attitude of his own friends? Is he quite sure that a disinterested love of education has been at the bottom of their action in this matter? It is difficult, I think, to believe it of all of them. To do them justice there is a certain class of opponents of Government who have never pretended it for a moment. The object of that class is quite clear and it has been stated in their organs. They desire, in the first place, to discredit the Universities which the Government created last year and to bring their work to a standstill, and, in the second place, they wish to bring about an election of new Provisional Syndicates who would be more in sympathy with the views of the enemies of the Act than those who have been elected, and who might help them in practice to break it down. That, as we all know, is the scheme that has been devised in certain quarters, and it is now about to fail.

"I could not help being a little amused last week when the Hon'ble Member called us to witness that he had been greatly moved by an appeal made by the Lieutenant-Governor last year, that since then he had been exercising all his energies to make our Bill a success, but that he had been diverted from this excellent enterprise by the arbitrary conduct of Government in once again bringing the matter into the arena of controversy. Considering that the whole matter that we are sitting here today to discuss is in consequence of action not taken by the Government but taken by the friends of the Hon'ble Member, this seems to me rather strong.

"Now, however, that this move has failed, I hope that the Hon'ble Member and those who act with him will return to the rôle of true friends of education in this country, and that we may expect his co-operation in future in defeating any further attempts to impair the success of the Act, which I really believe that, equally with ourselves, he has at heart."

The Council divided :—

Ayes—15.

The Hon'ble Nawab Fateh Ali Khan.
 The Hon'ble Mr. H. A. Sim.
 The Hon'ble Mr. L. Hare.
 The Hon'ble Mr. A. D. Younghusband.
 The Hon'ble Mr. L. A. S. Porter.
 The Hon'ble Mr. H. Adamson.
 The Hon'ble Mr. E. Cable.
 The Hon'ble Mr. E. N. Baker.
 The Hon'ble Mr. J. P. Hewett.
 The Hon'ble Mr. H. Erle Richards.
 The Hon'ble Sir Denzil Ibbetson.
 The Hon'ble Sir A. T. Arundel.
 The Hon'ble Major-General Sir E. R. Elles.
 His Excellency the Commander-in-Chief.
 His Honour the Lieutenant-Governor.

Noes—4.

The Hon'ble Rai Sri Ram Bahadur.
 The Hon'ble Rai Bahadur B. K. Bose.
 The Hon'ble Nawab Saiyid Muhammad.
 The Hon'ble Mr. Gopal Krishna Gokhale.

So the motion was agreed to.

The Council adjourned to Friday, the 24th February, 1905.

J. M. MACPHERSON,
*Secretary to the Government of India,
 Legislative Department.*

(Vide page 16.)

List of Acts passed by the Governor General in Council to validate action taken by executive authority under Acts of the Legislature.

Year.	No.	Subject.
1865	VIII	To make valid the imprisonment of certain persons arrested under the process of the High Court of Judicature at Fort William in Bengal in the exercise of its ordinary original civil jurisdiction.
1884	XIV	For the validation of decisions passed by certain Settlement-officers in the Punjab.
1884	XV	For the validation of certain licenses to solemnize marriages granted to ministers of religion under Act XXV of 1864.
1886	XIX	To legalize the discharge by the Lieutenant-Governor of the United Provinces of certain functions of the Governor General in Council.
1886	XX, sections 10 & 11.	To validate certain proceedings taken under rules made in Upper Burma.
1888	XVIII, section 6.	To validate proceedings taken by the Financial Commissioner of Burma.
1892	II	To validate certain marriages solemnized under Part VI of the Indian Christian Marriage Act, 1872.
1892	VIII, section 3.	To validate past levy of tolls upon the Lansdowne Bridge.
1894	XV	To validate certain certificates granted to engineers of steam-ships.
1895	XI	To remove certain doubts as to the validity of certain proceedings and acts of certain officers of the Pegu and Tenasserim Divisions in Lower Burma and to prevent their being raised in the future.
1895	XVII	To validate certain marriages solemnized in the Civil and Military Station of Bangalore.
1898	X, section 3.	To confirm certain rules made by the Bombay High Court under the Indian Insolvency Act, 1848.
1899	XV	To validate certain marriages solemnized in the Native States of Pudukkottai and Travancore in India.

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Wednesday, the 1st March, 1905.*

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

The Hon'ble Major-General Sir E. R. Elles, K.C.B., K.C.I.E.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Sir Denzil Ibbetson, K.C.S.I.

The Hon'ble Mr. H. Erle Richards.

The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.

The Hon'ble Mr. E. Cable.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

The Hon'ble Mr. H. Adamson, C.S.I.

The Hon'ble Rai Bahadur B. K. Bose, C.I.E.

The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Darbhanga.

The Hon'ble Rai Sri Ram Bahadur.

The Hon'ble Mr. L. A. S. Porter.

The Hon'ble Mr. A. D. Younghusband.

The Hon'ble Mr. H. A. Sim, C.I.E.

The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.

INDIAN PAPER CURRENCY BILL.

The Hon'ble MR. BAKER moved that the Bill to consolidate and amend the law relating to the Government Paper Currency be referred to a Select Committee consisting of the Hon'ble Mr. Richards, the Hon'ble Mr. Cable, the Hon'ble Mr. Adamson, the Hon'ble Rai Bahadur B. K. Bose and the mover, with instructions to report at the next meeting of the Council.

The motion was put and agreed to.

* NOTE.—The meeting of Council which was fixed for the 24th February, 1905, was subsequently postponed to the 1st March, 1905.

INDIAN RAILWAY BOARD BILL.

The Hon'ble MR. HEWETT moved for leave to introduce a Bill to provide for investing the Railway Board with certain powers or functions under the Indian Railways Act, 1890. He said :—" My Lord, the Indian Railways Act of 1890 enables the Governor General in Council to invest any Local Government with any of the powers or functions of the Government of India under the Act in respect of any railway, but it makes no provision for the devolution of powers to any other authority. The Government of India are anxious to confer on the Railway Board a substantial portion of the legal powers hitherto exercised by them in respect of railways, and the Bill provides a machinery for the delegation of such powers.

" Section 47 of the Railways Act requires the general rules for the working of a State Railway to be made by an officer appointed in this behalf by the Governor General in Council. It is desirable to make over the power to make such general rules in respect of State Railways to the Railway Board, and the Bill also makes provision to secure this. "

The motion was put and agreed to.

The Hon'ble MR. HEWETT introduced the Bill.

The Hon'ble MR. HEWETT moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in English in the Gazette of India and in the local official Gazettes.

The motion was put and agreed to.

The Council adjourned to Friday, the 10th March, 1905.

CALCUTTA: }
The 2nd March, 1905. }

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Friday, the 10th March, 1905.

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

The Hon'ble Major-General Sir E. R. Elles, K.C.B., K.C.I.E.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Sir Denzil Ibbetson, K.C.S.I.

The Hon'ble Mr. H. Erle Richards.

The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.

The Hon'ble Mr. E. Cable.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

The Hon'ble Mr. H. Adamson, C.S.I.

The Hon'ble Rai Bahadur B. K. Bose, C.I.E.

The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Darbhanga.

The Hon'ble Rai Sri Ram Bahadur.

The Hon'ble Mr. L. A. S. Porter.

The Hon'ble Mr. A. D. Younghusband.

The Hon'ble Mr. L. Hare, C.I.E.

The Hon'ble Mr. H. A. Sim, C.I.E.

The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.

QUESTIONS AND ANSWERS.

The Hon'ble MR. GOKHALE asked the following question:—

“I, Will Government be pleased to lay on the table a statement giving a list of all new appointments carrying a salary of Rs. 5,000 and upwards a year, that have been created by Government since 1892—the year of the last Parlia-

QUESTIONS AND ANSWERS.

[*Mr. Gokhale ; Mr. Baker.*] [10TH MARCH, 1905.]

mentary return on the subject—showing against each appointment (a) the year in which it was created, (b) the present salary attached to it, and (c) the name of the present holder.”

The Hon’ble MR. BAKER replied as follows :—

“The preparation of the return asked for by the Hon’ble Member would require a reference to Account Offices, Civil, Public Works and Military, all over India. It would involve a very large amount of labour and would occupy several months of time. In these circumstances, the Governor General in Council does not feel justified in ordering the return to be prepared.”

The Hon’ble MR. GOKHALE asked the following questions :—

“II. Will Government be pleased to lay on the table the correspondence that has taken place between the Government of India and the Secretary of State for India on Mr. Robertson’s Report on the administration and working of Indian Railways ?

“III. Will Government be pleased to furnish information on the following points regarding the administration of Railways in India, as at present existing :—

(a) What is the total number of the Superior Controlling Officers employed in the Railway Department of the Government of India and in the offices of the several Consulting Engineers for Railways in the Provinces ?

(b) What is the annual cost to the State on account of the above Controlling Staff ?

(c) What is the total number of the Superior Auditing Staff employed in the Government of India Secretariat and in the Provinces, and what is their annual cost ?

“IV. Will Government be pleased to state if it is in contemplation to abolish the offices of the several Consulting Engineers for Railways, and, if so, will Government state how many of the existing staff—both Control and Audit—will be retained for employment under the newly constituted Railway Board, and how will the cost of the administration of Railways in India by the Board compare with the cost of the existing machinery ?

“V. Will Government be pleased to lay on the table a statement shewing the number of the clerical staff employed in the Railway Department of the

[10TH MARCH, 1905.] [Mr. Gokhale; Mr. Hewett.]

Government of India and in the offices of the several Consulting Engineers for Railways and Examiners of Accounts in the Provinces, with the amount of salaries drawn by them—showing separately the European, Eurasian and Indian employés and their salaries—also showing the pensionable staff separately from the non-pensionable?

“VI. Will Government be pleased to state what amount of reduction is in contemplation in the existing clerical staff of the Railway Department of the Government of India Secretariat and in the offices of the several Consulting Engineers for Railways, and how it is proposed to provide for those who will be thrown out of employment, when the contemplated reduction, if any, is effected?”

The Hon'ble MR. HEWETT replied as follows :—

“II. The Government of India do not propose to lay the correspondence referred to on the table.

“III. (a) The total number of the Superior Controlling Staff employed in the Railway Department of the Government of India prior to the constitution of the Railway Board was 9 (it has since been reduced by the abolition of the Secretaryship to the Government of India in the Railway Branch), and in the offices of Consulting Engineers for Railways in the Provinces, 22. (b) The annual cost of the above staff, subject to fluctuations owing to the status of the individuals holding the appointments, is $4\frac{3}{4}$ lakhs. (c) The total number of the Superior Auditing Staff employed in the Government of India Secretariat is 5, and in the Provinces 13. The annual cost of the former is Rs. 85,800, and of the latter, Rs. 1,35,000. The Superior Auditing Staff under the Government of India are not employed solely on the audit of Railway accounts, but deal also with the accounts of Civil Works, Military Works, Irrigation, and Telegraphs.

“IV. The Railway Board have only recently assembled in Calcutta, and have not had time to make definite recommendations regarding the future organization of the Railway Department.

“V. The information asked for is not immediately available.

“VI. The reply given to question IV applies to the first portion of this question also. Every effort will be made, in accordance with the practice in such circumstances, to give employment in State Railways, or otherwise, to members of the clerical staff of the offices referred to whose services may have to be dispensed with.”

[*Mr. Baker ; Sir Arundel Arundel.*] [10TH MARCH, 1905.]

INDIAN PAPER CURRENCY BILL.

The Hon'ble MR. BAKER presented the Report of the Select Committee on the Bill to consolidate and amend the law relating to the Government Paper Currency.

COURT-FEES (AMENDMENT) BILL.

The Hon'ble SIR ARUNDEL ARUNDEL moved for leave to introduce a Bill further to amend the Court-fees Act, 1870. He said:—"In a suit before the Chief Court of Lower Burma it was held by the full Court that the court-fee payable in suits for the ejectment of a person remaining in possession of immoveable property after the alleged determination of his tenancy must, under clause v of section 7 of the Court-fees Act, 1870, be computed on the value of the property. The effect of the decision is to require the payment of an unduly high fee in suits the object of which is to secure ejectment and in which the title of the property is not in dispute. This was the case in the suit which gave rise to the reference from Burma, and in which the property from which it was sought to eject the tenant was a room in a house.

"The Local Governments and High Courts have been consulted. Some authorities were opposed to giving relief by legislation. The majority, however, were in favour of relief, but differed as to the method in which it should be given. Some were in favour of a fixed court-fee of Rs. 10, but it has been pointed out that this may be insufficient in some cases and excessive in others. The Government of India, after careful consideration, resolved to adopt the suggestion that the court-fee in suits of this nature should be fixed with reference to the yearly rent of the property, and the draft Bill has been framed accordingly.

"To the objection that suits to disprove a right of occupancy might be brought under the amendment to the Act, the Burma Chief Court reply that a right of occupancy is a right well known in Indian land systems and is something beyond a mere tenancy. With regard to agricultural tenants, it has been urged in favour of the proposed amendment that, if the landlord succeeds and gets a decree for ejectment with costs, it is the tenant who has to pay the court-fees, so that in almost all successful ejectment suits the lessening of the court-fee would benefit the tenant."

The motion was put and agreed to.

The Hon'ble SIR ARUNDEL ARUNDEL introduced the Bill.

[10TH MARCH, 1905.] [Sir Arundel Arundel.]

The Hon'ble SIR ARUNDEL ARUNDEL moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English, and in the local official Gazettes in English and in such other languages as the Local Governments think fit.

The motion was put and agreed to.

The Council adjourned to Wednesday, the 22nd March, 1905.

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

CALCUTTA; }
The 10th March, 1905.

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Wednesday, the 22nd March, 1905.

PRESENT :

The Hon'ble Major-General Sir E. R. Elles, K.C.B., K.C.I.E., *presiding*.
His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.
His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M.,
G.C.M.G., Commander-in-Chief in India.
The Hon'ble Sir A. T. Arundel, K.C.S.I.
The Hon'ble Sir Denzil Ibbetson, K.C.S.I.
The Hon'ble Mr. H. Erle Richards.
The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.
The Hon'ble Mr. E. N. Baker, C.S.I.
The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.
The Hon'ble Mr. E. Cable.
The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.
The Hon'ble Mr. H. Adamson, C.S.I.
The Hon'ble Rai Bahadur B. K. Bose, C.I.E.
The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Darbhanga.
The Hon'ble Rai Sri Ram Bahadur.
The Hon'ble Mr. L. A. S. Porter.
The Hon'ble Mr. A. D. Younghusband.
The Hon'ble Mr. L. Hare, C.I.E.
The Hon'ble Mr. H. A. Sim, C.I.E.
The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.

QUESTIONS AND ANSWERS.

The Hon'ble RAI SRI RAM BAHADUR asked the following questions :—

“ I. Have the Government noticed certain paragraphs which have appeared in the *Amrita Bazar Patrika* of the 7th instant on the case of one Mr. Trimbak Ganesh Paranjpe, who was lately an Extra Assistant Commissioner in Berar ?

“ II. Will the Government be pleased to state why an inquiry under Act XXXVII of 1850 was not granted to Mr. Trimbak Ganesh Paranjpe when

[*Mr. Sri Ram Bahadur ; Sir Arundel Arundel ; Mr. Gokhale.*] [22ND MARCH, 1905.]

the post held by him was a gazetted appointment and he specially prayed for such inquiry in his memorial submitted to the Government of India?

"III. In view of the facts that Mr. Trimbak Ganesh Paranjpe completed nearly 28 years of good and approved service, and that there was a total absence of any direct evidence to substantiate the charges brought against him, will the Government be pleased to give him some pension or compassionate allowance in accordance with the practice generally followed in such cases?"

The Hon'ble SIR ARUNDEL ARUNDEL replied as follows :—

"I. The Government of India's attention had not been previously called to the paragraphs to which the Hon'ble Member refers.

"II. The Public Servants (Inquiries) Act, 1850, does not confer on public servants the right to require the Government to hold an inquiry under that Act. It only empowers the Government to hold such an inquiry if they think that it is demanded by the circumstances. In Mr. Paranjpe's case the Government did not think that any inquiry under the Act was necessary, but, in order that Mr. Paranjpe should have an opportunity of meeting the charges brought against him, they directed the Resident at Hyderabad to cause charges to be framed and to appoint an officer to investigate these charges formally, and, after the investigation had been so held, to submit all the proceedings for the orders of the Government of India. As the result of the investigation the Resident at Hyderabad recommended the removal of Mr. Paranjpe from the service, and the Government of India, after a careful consideration of the case, concurred.

"III. The Government of India cannot admit the accuracy of the statements implied in the Hon'ble Member's question, and they see no reason to entertain the suggestion that Mr. Paranjpe should be granted a pension or compassionate allowance."

The Hon'ble MR. GOKHALE asked the following questions :—

"I. With reference to the first question put by me at the last meeting of the Council asking for a return of new appointments with a salary of Rs. 5,000 and upwards a year created during the last twelve years, is it not a fact that such appointments are among those to the creation of which the previous sanction of the Secretary of State is necessary?

"II. If the answer to the previous question is in the affirmative, is not information about posts, to the creation of which the sanction of the Secretary

[22ND MARCH, 1905.] [Mr. Gokhale; Mr. Baker.]

of State was asked for and obtained during the last twelve years, available in the Secretariat of the Government of India ?

“ III. Are not the names of all officers in civil employ holding appointments with a salary of Rs. 5,000 and upwards a year included in the Civil Lists of the Government of India and the Provincial Governments ? ”

The Hon'ble MR. BAKER replied as follows :—

“ I. The reply to the first question is in the affirmative.

“ II. I have already informed the Hon'ble Member, on 10th March, that a reference would be required not merely to the Secretariat records, which would in itself be a very laborious undertaking, but also to Audit officers in all parts of India—involving a still further consumption of labour and time.

“ III. The names of gazetted Civil and Military officers in civil employ are included in the Civil Lists. But those of other Military officers, and of civilians employed in Military Departments, are not included, nor are any non-gazetted officers. In neither case is there anything to indicate the date of the creation of the appointments they are holding.”

INDIAN PAPER CURRENCY BILL.

The Hon'ble MR. BAKER moved that the Report of the Select Committee on the Bill to consolidate and amend the law relating to the Government Paper Currency be taken into consideration. He said :—“ There are only two points in connection with the Report regarding which I need say anything. One of these relates to a matter in which the Committee have accepted the advice offered to them: the other is a matter in which they have decided not to do so.

“ The first of these is the proviso which we have added to clause 20 of the Bill, limiting the amount of the sterling investment to 2 crores of rupees. The Bill as originally drafted imposed no limitation on the proportions in which the investment might be made in sterling and rupee securities, respectively. Government certainly never contemplated selling out any of its present investment of 10 crores or transferring any part of it into sterling scrip in present circumstances. But it was thought that there might be some advantage in having power to do so, in the interests of the currency reserve, if hereafter any change of circumstances should render this expedient. For instance, if gold should at some future time enter largely into the circulation, it might be expedient to place a larger part of the currency investment on a

gold basis. The Bank of Bengal, however, and the Bengal Chamber of Commerce have demurred to the proposal, which, they point out, goes beyond the proposition originally submitted to them ; while the former apprehend that the absence of any restriction would overshadow the Indian money market with the possibility of considerable operations which the public would be unable to anticipate.

"I cannot admit that these apprehensions are well-founded. But in all matters connected with the paper currency it is important that legislation should keep in close accord with banking and commercial opinion. Moreover, if occasion should arise hereafter to render an increase of the sterling investment expedient, it will always be possible to proceed by legislation. We therefore decided to defer to the opinion of the Chamber of Commerce and to adopt their suggestion.

"The other point to which I wish to refer relates to clause 13 of the Bill, which has reference to the holding of part of the coin and bullion reserve in London instead of in India. The Bank of Bengal and the Bengal Chamber of Commerce have both suggested that no part of this should be held for any length of time in London, but that it should be returned to India as soon as possible.

"There are two reasons why it is impossible to accept this suggestion. In the first place, it is not within the competence of this Council by legislation to impose duties or confer powers upon the Secretary of State. The powers of the Council are defined and limited by the Indian Councils Act of 1861, and do not extend so far. Since therefore the portion of the reserve which is held in London is held and controlled by the Secretary of State, it is clear that we could not require it to be shipped immediately to India, even if we wished to do so. But such a step would be very inexpedient on its own merits. So far as gold is concerned, the coin when held in London is actually one stage nearer the point at which it becomes effective for securing the encashment of notes than when it is in India. For it must be borne in mind that though gold is legal tender it is not in active circulation, and, moreover, that we have undertaken to receive it in exchange for rupees without limit. When notes are presented for encashment, what the presenter requires is, not sovereigns but rupees. Now, if we wish to increase our supply of rupees, to meet such demands, we can only use the gold portion of the reserve by buying silver with it for coinage: and silver is not procurable in any quantity in India, but must be purchased in and imported from Europe.

"If we were to do what the Bank of Bengal and Chamber of Commerce have suggested, we should have first to ship the gold from London to India, and

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then, as soon as we had occasion to use it, to ship it back again. There is absolutely nothing to gain by this double shipment which would be expensive, risky, and dilatory.

"As regards silver bullion, the case is different, and the need for keeping it in London is not nearly so strong. There is, however, a slight practical advantage in having power to keep it there, not indefinitely, but for a time. The reason is this: as soon as we make a shipment of silver, the fact necessarily becomes public, and the silver bullion dealers become aware that purchases are being made by the Indian Government: they are thus enabled to force up the market against us. If shipments are deferred until the whole transaction is complete, we are enabled to effect the purchase without this disadvantage. I do not affirm that the point is of great importance, but it does make some difference in practice.

"For these reasons the Committee have been unable to give effect to the suggestion, and have left the clause unchanged.

"These are the only points on which I think it necessary to offer any remarks. The Bill, though very important, is short and simple, and I do not think that it presents any features of difficulty or doubt."

The motion was put and agreed to.

The Hon'ble MR. BAKER moved that the Bill, as amended, be passed.

The Hon'ble MR. CABLE said:—"I merely desire to say, Sir, that I am glad the Hon'ble Member in charge of the Bill has seen his way to accept the proviso added to clause 20.

"It is felt by the mercantile community that to limit the investment in sterling securities to two crores of rupees is, on a balance of considerations, a wise and prudent thing.

"No doubt, as the Hon'ble Member says, the prime function of the currency reserve is to secure convertibility of the note issue, but that has never been in doubt during the past when only Indian securities have been held.

"The Hon'ble Member has admitted the principle that legislation in paper currency matters should keep accord with the views of the mercantile community, and if in the future any alterations in clause 20 are found advisable I have no doubt the mercantile community will co-operate with Government; for the interests of Government and the people in questions of this kind must always be identical.

[*Mr. Cable; Mr. Hewett; Rai Sri Ram Bahadur.*] [22ND MARCH, 1905.]

"As to clause 13, I concur with the Hon'ble Member's remarks as far as they relate to gold, but with regard to his views on the advisability of keeping silver bullion in London, while recognizing that this clause of the Bill cannot be made the subject of amendment, I would remark that whether or not the bullion is kept at home it is impossible to secure the secrecy aimed at by the Hon'ble Member.

"The Bill as it now stands will, I am confident, receive the approval of the public."

The motion was put and agreed to.

INDIAN RAILWAY BOARD BILL.

The Hon'ble MR. HEWETT moved that the Bill to provide for investing the Railway Board with certain powers or functions under the Indian Railways Act, 1890, be taken into consideration. He said:—"The Bill has been duly published and no criticism of it or objection to it has been taken in any direction."

The motion was put and agreed to.

The Hon'ble MR. HEWETT moved that the Bill be passed.

The Hon'ble RAI SRI RAM BAHADUR said:—"Sir, the Bill which is going to be passed by this Council just now, will give a legal status to the newly-created Railway Board. While welcoming the formation of this Board as the means of giving effect to the recommendations of the expert, Mr. Robertson, C.V.O., I would venture to express a hope that the Board will direct its efforts to induce the Railway Administrations to take greater pains at, and pay more attention to, securing the comfort, the convenient transit—which should be effected as far as possible without changes at the junctions—of the third class passengers who form the bulk of the travelling public and who contribute by far the largest share of the Railway income. The great increase this year in the earnings of Railways is, I think, unprecedented, and I feel sure that this increase in the receipts from Railways will not only be maintained but, make a steady progress, if proper steps be taken, by the different Railways, to ensure greater comforts to the third class passengers. This matter has lately been commented upon by the *Pioneer* newspaper, and I must own it is one of those questions which is beset with difficulties. In this connection I beg to refer to the steps taken by a State line, *viz.*, the Oudh and Rohilkhand Railway, which first took the lead in grappling with

[22ND MARCH, 1905.] [*Rai Sri Ram Bahadur; Mr. Baker; the President.*]

this question, with a sympathetic attention and earnest desire to improve matters and overcome the difficulties; and the result now is that this Railway enjoys the highest popularity among the Indian travelling public and specially the third class passengers. To that Railway belongs the credit and honour of being the first in adopting the best and surest means to ascertain, first hand, from the Indian travelling public, their wishes, desires and grievances, by calling a conference of representative Indians. This conference was held at Lucknow in December 1903, and I beg to invite the attention of the Government to the interesting and instructive report of its proceedings.

"Sir, if the newly formed Board can make other Railways follow the example set by the Oudh and Rohilkhand Railway, it will more than justify its creation and existence.

"I hope the Council will pardon me for this trespass on their valuable time, but my sense of duty has induced me not to let this opportunity pass without the remarks which I have ventured to make."

The motion was put and agreed to.

FINANCIAL STATEMENT FOR 1905-1906.

The Hon'ble MR. BAKER introduced and explained the Financial Statement for 1905-1906. He said :—"I beg to present the Financial Statement for the ensuing year, and in doing so I propose, with your permission, Sir, to dispense with the formality of reading the whole Statement to the Council. In place of doing so I now lay it on the table, and propose to take it as read. Instead of reading it out I shall content myself with reading out a brief summary dealing with those points which alone are likely to be of general interest."

The Hon'ble THE PRESIDENT said that the new procedure had received His Excellency the Viceroy's concurrence.

The Hon'ble MR. BAKER then said :—

"The year now drawing to a close has been one of general prosperity, the only exceptions being the partial failure of the rains in Gujrat and some districts of Madras and the recent severe frosts in Upper India. This has been reflected in the revenue returns. Last March, we budgetted for a surplus of 138 lakhs. We now expect to have a surplus of 523 lakhs, the improvement being 385 lakhs. The causes of this great betterment are four in number :—

Lakhs,

- (1) There has been an unprecedented development of our net railway revenue, which has exceeded the estimate by . 285

Lakhs.

- | | |
|---|------|
| (2) The price of Bengal opium has averaged Rs1,587 a chest as compared with the budget figure of Rs1,250, giving an increase of | 163½ |
| (3) Almost all the principal heads of revenue, except Land Revenue, have shown remarkable elasticity, especially Salt, Stamps, Excise, and Customs, yielding a net improvement of | 162 |
| (4) There have been savings under almost all branches of Civil Expenditure and public works, aggregating | 148½ |
| These four causes of improvement have aggregated | 759 |

"On the other hand, there has been an increase of expenditure in connection with the Army of 180 lakhs, of which 62½ lakhs is on account of the Tibet, Aden, and Seistan Missions, while almost the whole of the remainder represents expenditure on the scheme for reorganization and redistribution.

"Lastly, we have drawn upon Provincial balances to the extent of only 3 lakhs instead of the considerable sum of 197 as anticipated in the budget.

"The net result of these increases and decreases is the improvement of 385 lakhs mentioned above.

"For next year we have provided 366 lakhs for the reorganization of the Army, but the total military expenditure of all kinds will only exceed that of the current year by 31½ lakhs. After providing for this and for the normal growth of our ordinary expenditure on a liberal scale, it was found that if taxation were maintained on its present level we should have a surplus of 510 lakhs. It has accordingly been decided to apply approximately 374 lakhs of this to reduction of taxation and to effecting special improvements in certain important branches of the Civil Administration.

"The measures which we have decided to adopt are seven in number. Two of these are remissions of taxation; one is an administrative reform involving sacrifice of revenue; and four are measures of improvement involving increase of recurring expenditure for the benefit of the country. They are the following:—

- (1) We make a further reduction of the Salt tax of 8 annas a maund, except in Burma, thus reducing it to Rs1-8-0 a maund. This will take effect from to-day and involves a loss of Revenue of 6 lakhs during the current year and of 183 lakhs per annum in future years.

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- (2) We shall abolish the famine cesses now levied in the United Provinces, the Punjab, and the Central Provinces, at a total cost of $22\frac{1}{2}$ lakhs a year.
- (3) We raise the weight of a letter which the Post Office carries for half an anna from half a tola to $\frac{3}{4}$, at an estimated cost of 7 lakhs per annum.
- (4) We make additional assignments aggregating 50 lakhs per annum to Local Governments for the purpose of Police reform in accordance with the approved recommendations of the Police Commission.
- (5) We make further assignments aggregating 35 lakhs per annum to Provincial Governments for expenditure on Primary Education, steps being also taken to ensure that the money shall not be diverted to any other purpose.
- (6) We have set aside 20 lakhs per annum for initiating a large scheme of agricultural research, experiment, and instruction. This will eventually be distributed among Local Governments, but the details of the distribution are not yet settled, and the grant is for the present treated as Imperial expenditure; and
- (7) We make grants-in-aid of the funds of all District and Local Boards in India, equal approximately to 25 per cent of their total revenue from cesses on the land. This is estimated to cost $56\frac{1}{2}$ lakhs per annum.

The total cost of these seven measures is—

	Lakhs.
Remission of taxation	205½
Increase of postal facilities	7
Reforms of Civil Administration	161½
TOTAL	<u>374</u>

After providing for these we estimate that the total revenue of the ensuing year will amount to 125 crores 15 lakhs and the expenditure to 123 crores 79 lakhs, and we expect to close the year with a surplus of 136 lakhs.

“We have made liberal provision, both in the current and the ensuing year, for remission and suspension of revenue in the tracts which have been injuriously affected by the partial failure of the monsoon in Bombay and Madras and by the recent severe frosts in Northern India. With these exceptions the prospects of the ensuing year appear to be favourable. Special efforts have been made to

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avoid under-estimating of revenue and over-estimating of expenditure, but several of the heads are exposed to exceptional uncertainty, especially Opium and Railway Earnings.

“ For Capital Expenditure on Railways we have provided 12 crores, in addition to the regrant of a sum of 50 lakhs which has lapsed from 1904-05. This grant is the highest ever yet made. For Irrigation Major Works, we have provided 125 lakhs. This last grant would probably have been larger had it been possible to spend it.

“ By the end of the current year, we shall have paid off all but half a million of our floating sterling debt, and it is intended to discharge the remainder during 1905-06.

“ We propose to raise a loan of 4 crores in India, and one of 2 millions in England for capital expenditure on productive public works.

“ The present intention of the Secretary of State is to draw 16½ millions of bills on India next year, in addition to 1½ millions (2 crores) on account of the currency investment. These announcements are made subject to the usual reservation.”

The Council adjourned to Wednesday, the 29th March, 1905.

CALCUTTA;
The 24th March, 1905. }

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Wednesday, the 29th March, 1905.

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

The Hon'ble Major-General Sir E. R. Elles, K.C.B., K.C.I.3.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Sir Denzil Ibbetson, K.C.S.I.

The Hon'ble Mr. H. Erle Richards.

The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.

The Hon'ble Mr. E. Cable.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

The Hon'ble Mr. H. Adamson, C.S.I.

The Hon'ble Rai Bahadur B. K. Bose, C.I.E.

The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Darbhanga.

The Hon'ble Rai Sri Ram Bahadur.

The Hon'ble Mr. L. A. S. Porter.

The Hon'ble Mr. A. D. Younghusband.

The Hon'ble Mr. L. Hare, C.I.E.

The Hon'ble Mr. H. A. Sim, C.I.E.

The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.

QUESTIONS AND ANSWER.

The Hon'ble NAWAB SAIYID MUHAMMAD SAHIB BAHADUR asked the following questions:—

“Will the Government, in view of the growing and appalling mortality from plague (the deaths in the week ending the 11th of the present month being

[*Nawab Saiyid Muhammad ; Sir Arundel Arundel ;* [29TH MARCH, 1905.]
Nawab Fateh Ali Khan.]

45,541), be pleased to state whether it is in contemplation to engage the services of a bacteriologist or scientist of European reputation, besides other experts who might be appointed by the Secretary of State, for establishing the pathology of the disease and devising a system of preventive and curative treatment on a scientific basis ?

“ If not, will the Government be pleased now to consider the matter ? ”

The Hon'ble SIR ARUNDEL ARUNDEL replied as follows :—

“ The Government of India have already taken action in the direction suggested by the Hon'ble Member. From the correspondence now laid on the table it will be seen that it has been decided to appoint a plague research party consisting of two experts from England selected by an Advisory Committee at home and two Indian Medical Service officers. The composition of the party has not been finally settled, but a member of the Advisory Committee is now on his way to India in order to arrange the details of the investigation in communication with the Sanitary Advisers of the Government of India.”

DISCUSSION OF THE FINANCIAL STATEMENT FOR 1905-1906.

The Hon'ble NAWAB FATEH ALI KHAN said :—“ My Lord, I deem myself very fortunate in enjoying the privilege of being in a position to offer the first congratulations to Your Excellency's Government for the highly satisfactory Budget which has been laid on the table by the Hon'ble Finance Member. From what I have read, I feel bound to express my sincere pleasure in observing that the Budget has been most carefully prepared, and shows the increasing prosperity of the Indian Empire.

“ My Lord, India has had the good fortune of having increasing surpluses in the Budget ever since the beginning of Your Excellency's administration, but this year's Budget is far more satisfactory than those of past years.

“ As expressed by the Hon'ble Finance Member, the improvement in surplus has been 385 lakhs over and above the estimate formed in March 1904. It is pleasing to see that the great increase in the surplus is not due to any increase of taxation. On the contrary, the Government has been graciously pleased to make remissions of revenue in certain portions of the country from time to time during the past year. The unusually great increase is due to several causes, as stated by the Hon'ble Member in his Budget Report : the magnificent returns from the railways, and the raising of the price of opium in Bengal, are two of the chief reasons for the increased surplus of this year.

[29TH MARCH, 1905.] [*Nawab Fateh Ali Khan; Mr. Sim.*]

“After providing for the Army reorganisation, military, and other ordinary expenditure on a sufficiently liberal scale, I gather that we should have a surplus of 510 lakhs next year if taxation remained at its present level. It has, however, been determined, as I learn from the Budget Report, to apply the sum of 374 lakhs out of this estimated surplus to various useful measures to be adopted by the Government for the good of the country. The greatest and the most beneficial measure is the abolition of famine-cesses in the Punjab, United Provinces, and Central Provinces. This measure was greatly called for, and I hope will tend to raise the condition of the people of those provinces.

“The other useful scheme for the advantage of the country is the making of additional assignments of 35 lakhs per annum to the Provincial Governments for the purposes of primary education. I would only here remark that the money, if not properly taken care of, may possibly be spent for some other purposes and thus the real object we are aiming at may be defeated.

“The other beneficial purposes are the reduction of salt-duty, the assignment of money to District and Local Boards, as well as reduction in postal charges, all of which will, I hope, tend to the increase of prosperity and welfare of the country.

“Finally, I offer my thanks to Your Excellency for the adoption of the above administrative measures, which tend to secure lasting good for India, as well as for the whole-hearted devotion which Your Excellency has always shown to the cause of the Indian people.”

The Hon'ble Mr. SIM said :—“My Lord, Madras would wish to be associated with the rest of India in congratulating Your Excellency's Government on its continuing financial success—on the full purse, which has attended Your Excellency during the last six years, and is still so conspicuously present : most of the sources that have filled it presuppose full pockets in India, while others, such as the sale of opium, and the carriage of grain for export, will have been paid by the consumer, outside India altogether.

“Madras would wish also, my Lord, to express its appreciation of the purposes to which Your Excellency's Government has devoted this surplus ; a salt-tax lower than it has been at any time since 1878 ; liberal grants for Police reform, Primary Education and Agricultural research ; assistance to local bodies ; these are benefits which will nowhere be more widely felt or more heartily appreciated than in Madras ; they are branches of administration to which Madras has always devoted special attention, and lines on which it has always contemplated advance.

[Mr. Sim.]

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"Of *Salt* the Madras is the largest consumer in India; of *agriculture* we possess the oldest college; we were first in the field of *Local Self-Government*, and have always been prominent in that domain: while, in the face of recent military changes, we, more than other provinces, require an efficient *Police*. Every body, my Lord, who knows the importance to the Madras raiyat of the services which *Local Boards* perform, and the insufficient resources with which they are furnished, will read with the greatest pleasure of the assistance which Your Excellency's Government is now allotting to these bodies; and will note with pleasure, also, the Hon'ble the Finance Member's assurance that there is no intention to burden this assistance with any charges which are at present provincial.

"Very specially, too, my Lord, will Madras welcome the announcement of the adoption of an energetic and continuing policy 'for the development of *agricultural experiment, research, demonstration and instruction*.' We are both agricultural and raiyatwari in Madras, so that not only is the prosperity of our Presidency greatly dependent on the success of its agriculture, but our officials are brought very close to the daily life of the raiyat and see, at first hand, some of his greatest needs. One of these is this Education, Research, and Demonstration, which Your Excellency's Government is now about to give him; and Madras, which has experienced, I may remark, some of the practical difficulties which beset this apparently simple subject, will wish Your Excellency's Government every success in it.

"Other obvious needs are those of Irrigation, Railways, Credit, and Forestry. In *Irrigation*, while we join with the Hon'ble the Finance Member in the enthusiasm with which he writes of the great *productive* works of the Punjab, we hope Your Excellency's Government will not forget the necessity for pushing on with *protective* works elsewhere; works, which, though not ordinarily remunerative to the Treasury, will be invaluable both to Government and to the raiyat in time of Famine. We would also beg Your Excellency to remember kindly those *minor* works, on which the greater portion of our Presidency has, after all, to depend: the important scheme of Tank Restoration in Madras is progressing less rapidly than we would wish, owing to want of funds; we trust, therefore, that a considerable portion of the additional grant, now announced for Minor Irrigation Works, will be devoted to the Presidency, in which they are of the most importance. I believe, my Lord, that provision for the expansion of work in this direction was not made in the current Provincial Settlement.

"In *Railways*, Your Excellency is giving us some useful extensions, and is lending money to our District Boards to further the more rapid expansion of light railways: both will be welcomed in Madras.

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[Mr. Sim.]

"The subject of *Agricultural Credit* is also being seriously taken up in our Presidency on the lines laid down by Your Excellency's Government and the 'search for Raiffeisen' has begun: we in Madras shall watch it with special care, since we have long recognised its great importance, and possess the greatest Indian authority on the subject in a Madras Civilian. Having a Nicholson, we shall hope that we may be as fortunate as Bengal has been, in also finding a Hamilton.

"Under *Forests*, we notice with satisfaction that the coming year's Budget provides for increased expenditure in Madras. I would put in a plea for its continuance in future years; whether one accepts only the more obvious uses of forests, or believes also in their climatic effects, the creation and working of a forest area, sufficient for local requirements, would appear to be one of the most pressing needs of an agricultural and pastoral country, of uncertain rainfall, and increasing population, such as ours is; the task will necessarily be long and difficult, but time and difficulty can be reduced to a minimum, by a continuous and liberal outlay of money during the earlier years; it is such outlay that I now plead for: there may, it is true, be other provinces in which it would bring in a more immediate money return; but I would urge that, in the case of forests, as in the case of other administrative essentials, it is, up to a certain point, not the highest revenue, but the greatest necessity, that should carry the day.

"Madras would thank Your Excellency for grants to the *Madras Harbour* in the current and coming years; and also, *in advance*, for favours to come, in the provision from Imperial revenues, of the cost of reorganizing the *District Administration*, in accordance with the promise given to us in our Provincial Settlement of last year. In connection with this Settlement, I may add that it is unfortunate for the Provincial Treasury and a matter of extreme regret to the Madras Government that its first year should be marred by drought and scarcity, and all the loss and distress to the agricultural population that are their necessary accompaniments.

"In regard to *Receipts*, my Lord, I would only notice one item, that of *Excise*; so far as Madras is concerned, I would venture to support the view of the Hon'ble the Finance Member that the increased receipts under this heading are due to higher taxation and not to increased drinking; I would claim, indeed, that Madras has been the pioneer in excise reform, based on this cardinal principle of obtaining a maximum of revenue from a minimum of consumption; and I am glad to believe that, of late years, its pre-eminence in this direction

[*Mr. Sim ; Mr. Hare.*] [29TH MARCH, 1905.]

has been recognized in other parts of India, and that Madras is now the Mecca of Temperance to which official pilgrims from less forward provinces periodically wend their way.

"It only remains for me, my Lord, in the name of Madras, to thank Your Excellency and Your Excellency's Government, for the kindly consideration, shown throughout the Budget, to an absent and distant Presidency."

The Hon'ble MR. HARE said :—"I congratulate the Hon'ble Finance Member and the Government upon the prosperous state of the finances, and desire to express my approval of the manner in which the surplus has been dealt with.

"While something has been given to the reduction of taxation, there has been a large appropriation to the improvement of the administration, and this was very urgently required.

"The increased expenditure on the police is absolutely necessary, and the large grant to education cannot fail to be beneficial. The grant to District Boards is, I consider, a most excellent measure. The new railway lines require to be supplemented in many cases by feeder roads, and the road systems of many districts require to be to some extent remodelled and in all cases require to be linked up with the railway. The growing wants of the District Boards in other respects are well known, and there seemed to be no hope of meeting their requirements from any other source.

"The grant for agricultural research, experiment, and instruction is very welcome, and I can only express a wish that it could have been larger.

"I observe that nothing has been given for Veterinary purposes, either for the creation or development of colleges or for the establishment of a Veterinary Department. This I much regret. I think that an enormous increase of wealth is to be won for this country in saving the life of cattle and increasing their efficiency by improving the stock. In this matter as in Agricultural development Government will have to lead the way, and if any adequate result is to be achieved considerable expenditure will be required.

"As a matter also directly bearing on the prosperity of Bengal, I would venture to mention the importance of pressing on more rapidly with the record-of-rights. As a means of securing to agriculturalists the fruits of their labour and of improved methods of agriculture this is a matter of some urgency. There are at present three parties at work in the Province of Bengal, and I should like to see a fourth party. But this work can only be entrusted to the

[29TH MARCH, 1905.] [Mr. Hare; Mr. Porter.]

permanent staff and so can only be taken up as the necessary staffs, both for survey and record work, can be permanently sanctioned and trained. Hitherto it has not seemed to be within the bounds of practical politics to ask for more than the staff necessary for three parties. Applications are continually being made here by landlords, and there, by raiyats for records-of-rights to be undertaken. It is expensive and unsatisfactory to take up isolated cases, and the necessity of pressing on with the general provincial scheme is clearly indicated. I would express a hope that the improved financial position may make it possible to sanction a further increased staff, and that the requirements of Bengal in this respect may be sympathetically considered."

The Hon'ble MR. PORTER said:—"My Lord, I have to congratulate the Hon'ble the Finance Member on the fact that in this—his first—Budget he has at his disposal a large surplus. I hope that the good fortune which attended his predecessor may continue throughout his term of office.

"I do not propose to attempt to criticise in detail the objects to which the Government have decided to devote this surplus, or to offer any opinion on the estimates of the coming year. I desire only to make a few remarks on certain matters which affect the United Provinces,

"It is unfortunately only too true that the cold weather crops in the United Provinces, which promised to be magnificent, have been seriously damaged by frost. In the north of the Provinces, including the Meerut and Rohilkhand Divisions, where the crops were less advanced, the loss except in two districts is small. Again, in the Benares and Gorakhpur Divisions, and in part of the Fyzabad Division, the frost was less severe and comparatively little harm was done. But in the Allahabad Division not a single district, and in the Lucknow Division only one district, escaped serious injury; while in the Agra Division, and in two districts in the Fyzabad Division, the loss, though less severe, has been very great. Roughly it may be said that the proportion of the produce lost varies from three-fourths to one-fourth throughout the injured tract, and this loss will be very severely felt, especially in Bundelkhand and Cawnpore, where the preceding kharif harvest was indifferent. A sudden calamity of this extent and severity calls for liberal, and above all for prompt, relief. That relief has, I am glad to say, been granted in full measure. The estimate of land-revenue collections in the United Provinces has been reduced by 50 lakhs, and of this sum no less than 42½ lakhs are to be treated as remissions. In preferring remissions to suspensions the Government have, I venture to think, acted wisely. In cases of widespread and serious loss of

crops, suspensions afford little real relief. Suspensions tend, moreover, to demoralize the people by keeping a load of debt hanging over them; they injuriously affect the credit of the cultivator with the village-banker; and they encourage the revenue-payers to withhold what they can pay in the hope that the suspensions will ultimately be converted into remissions.

"The abolition of the famine-cess will afford some welcome relief to those classes on whom the burden of local rates bears somewhat heavily. But apart from this the remission will be popular. The somewhat bitter feelings which were aroused when the cess was first imposed, by the way in which the proceeds of the cess were at the outset utilized, have long ago subsided, and the controversy is now ancient history: but every one will be glad that Government are at last in a position to remit an impost regarding which at one time so much misunderstanding took place.

"The liberal grant of $6\frac{1}{2}$ lakhs for increasing the strength and pay of the rank and file of the Police and of Sub-Inspectors will do much towards improving the position and prospects of a very hardworked and on the whole deserving body of men. That some increase of pay was necessary has long been obvious to those who have studied the subject. To quote merely one instance,—it is, I believe, an established fact that a Sub-Inspector of the third grade, the rank in which trained officers begin their career, and in which grade they remain for several years, cannot live on his present pay. Almost equally important, however, with the grant of adequate pay and horse allowance is the provision of decent and sanitary quarters. Self-respecting men will not join or remain in a service which requires them to live in unhealthy or squalid surroundings. It has been laid down, and Provincial Governments have accepted the ruling, that the cost of providing suitable police buildings must be met from provincial revenues. This principle is fair enough; and for the last few years the Government of the United Provinces has been expending large sums annually on the improvement of police lines and buildings generally. Before that, however, owing to the late famine, and to other causes which need not now be referred to, expenditure on police buildings had been very restricted; and a great deal of lee-way has now to be made up. In these circumstances it is unfortunate that during the coming year the provincial expenditure on buildings will have to be curtailed. The provincial finances will be crippled by (1) the loss of land-revenue in consequence of the injury to the crops by frost, (2) by the drop in irrigation receipts (which under the new financial settlement is practically an entirely provincial head) due to the continued winter rains, and (3) by a probable drop in excise receipts in sympathy with agricultural depression. These

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losses have necessitated strict economy in framing the provincial budget of the coming year, and have involved retrenchment of expenditure not only on building projects, but even on desirable minor irrigation works.

“A further burden on provincial finances is plague expenditure. When the present financial settlement was being arranged, the Government of India stated distinctly that no allowance for plague charges could be made, as those charges were temporary. But the terrible epidemic of plague which is now raging in the United Provinces holds out no hope of the early disappearance of the disease. It is true that in the coming year the allotment for direct plague expenditure will be reduced from three to two lakhs, but there is the likelihood of even larger expenditure in the future if the result of expert investigation is to indicate any practical measures of prevention. Again, the cost of relieving Municipal Boards of Police charges comes to Rs. 3,89,000, or Rs. 1,39,000 more than the amount allowed by the Government of India at the recent settlement. Nearly all this is being spent on plague. The result is that the Provincial Government is spending directly or indirectly on plague charges some $3\frac{1}{4}$ lakhs, for which no provision was made when the provincial share in the revenues accruing in the Provinces was determined.

“In connection with the subject of police reform I would remind those Indian gentlemen who denounce the present civil police so strongly that the force is almost entirely composed of their own countrymen. If the personnel is unsatisfactory, the only remedy is to obtain a better class of recruit. The unpopularity of service in the police is unfortunately notorious; and I attribute much of this unpopularity to what I consider the unfair manner in which the police are written of and spoken of by certain sections of their fellow-countrymen. Misdemeanours where they occur must be exposed; and the people who expose them are discharging a public duty. But indiscriminate abuse only does harm. It disgusts and disheartens the good men, and makes the bad men worse. Government may offer better pay and better prospects, but self-respecting men will not willingly enter a service if they continue to see and hear it denounced in the Press and in the Courts as oppressive and corrupt.

“The special permanent grant of six lakhs for primary education should go far towards placing primary schools on a satisfactory footing. As the Government of India are aware, a large portion of the previous five lakh grant was devoted to primary education. The present grant will enable the Provincial Government to extend its policy of (1) opening new primary schools and improving buildings and apparatus; (2) increasing the number of normal schools, and introducing a simple supplementary system of training teachers

for primary schools: and (3) further strengthening, and improving the prospects of, the district inspecting staff. It is also hoped to give some stimulus to primary female education.

“The liberal grant of 8 lakhs to District Boards will meet with universal approval. These Boards, unlike Municipal Boards, have in the United Provinces no powers of taxation, and apart from their share in the rates and the receipts from transferred services, they are entirely dependent for their income on such assignments as the Provincial Government may be able to make. Much has been done in recent years to improve the financial position of these Boards; and the Local Government has prepared and is about to introduce a Bill for conferring on these Boards a larger measure of financial independence and responsibility. But there can be no doubt, as mentioned in the Statement, that the resources of the Boards are incommensurate with the duties imposed on them. There are at the present moment several urgent projects for railway feeder roads in the United Provinces which are in abeyance for want of funds. Another urgent want is that of decent boarding houses for town schools. At many town schools there is no accommodation at all for boarders; and, where such accommodation exists, it is as a rule insufficient and unsuitable. It is now recognized that a proper system of hostels under adequate supervision is essential to any sound system of higher education; and in the case of the various colleges the want is being supplied either by Government or by private benefactors. But hitherto the needs of town schools, in this respect, have almost entirely been overlooked. The age at which a boy emerges from the primary school, and joins the higher classes in a town school, is the time when he stands most in need of supervision and of good surroundings. It is admitted that no student, who has not been thoroughly grounded at school, can derive full benefit from the teaching he receives at college. So it seems to me that much of the moral good which should result from residence in a well conducted University hostel, will be lost to the boy who has been accustomed for several years to a lower standard of life.

“From the above remarks I do not wish it to be inferred that the Government of the United Provinces has any complaint to bring against the terms of the financial settlement made twelve months ago. Compared with previous contracts that settlement was liberal, and it was supplemented with a large initial grant. It is to be regretted that a great agricultural disaster has seriously affected the Provincial income in the second year of the settlement, and has compelled the Provincial Government to curtail its expenditure on works of the highest public utility. I trust, therefore, that if—as we all hope—the coming year proves to be

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one of peace abroad and prosperity at home, and if the Government of India find themselves in possession of a large surplus, the case of the United Provinces, which contribute so largely to the Imperial Exchequer, will again be favourably considered."

The Hon'ble RAI SRI RAM BAHADUR said:—"My Lord, it is a matter of great gratification to us non-official Members that the Financial Statement made this year has given us once more the opportunity to congratulate Your Excellency's Government on the satisfactory condition of the finances of the Empire. The Hon'ble the Finance Member is specially to be congratulated on commencing his term of office by presenting to the Council a Budget possessing many interesting and pleasant features.

"My Lord, the excellence of a Budget does not, in my humble opinion, consist in showing large surpluses, but in the manner in which they are utilized; and I am glad to say that the Budget before us possesses that characteristic.

" Surpluses.

"My Lord, six successive years of large surpluses is an event of unique occurrence in the financial history of British India; this being the sixth year in Your Lordship's rule, in which a Budget showing a large surplus has again been laid before this Council. This is the more remarkable, as at the commencement of Your Excellency's administration the country was passing through a famine characterized as 'the greatest famine of the century.' Under Your Excellency's régime, not only have the finances of India been brought to a satisfactory condition, without the imposition of any fresh taxes, but a policy of giving financial relief to the people, by the remission of taxation, has been inaugurated—a state of things which has been quite unknown to the Indian tax-payer during the two decades preceding the year 1902-1903. The abolition of the *pandhari*-tax in the Central Provinces, in that year, was followed, in the subsequent year, by the reduction of half a rupee per maund in the rate of duty on salt, and the raising of the minimum of taxable incomes. The coming year's Financial Statement contains the gratifying announcement of other measures calculated to afford further relief to the Indian tax-payer, by taking off another half a rupee from the rate of salt-duty, and by repealing the so-called famine-cess in the United Provinces, the Punjab and the Central Provinces. The further reduction of duty, on such a necessary of life as salt, will give a much-needed relief to a class of people who most urgently required it. The repeal of the

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famine-cess is an act of bare justice, as its proceeds were often applied to purposes other than those for which it was professedly levied. Moreover, this cess was peculiar to the three provinces named above. Its continuance, my Lord, was no longer justified.

“For all these measures of relief the country is beholden to Your Excellency's Government. In order to show with what feelings of gratefulness the announcement of the remission of taxation has been received in the United Provinces, I beg with Your Excellency's permission to read the telegrams received by me from the leading associations in those Provinces, asking me to tender on their behalf respectful thanks to Your Excellency for these measures.

“These telegrams are from the Talukdars' Association in Oudh, from the Zamindar Association, Muzaffarnagar, and from the Rifahiam Association, Lucknow.

Dated 28th March, 1905.

From—The Maharaja of Ajodhya, President, B. I. Association, Oudh.

The talukdars of Oudh tender their most respectful and heartfelt thanks to His Excellency the Governor General in Council and earnestly hope that the liberal policy thus inaugurated by His Excellency will be pursued further by the remission of other cesses on land.

Dated 25th March, 1905.

From—Hotobre Nihalchand of Muzaffarnagar.

Kindly convey deep-felt gratitude of Zamindar Association, Muzaffarnagar, to His Excellency the Governor General for granting their memorial and remitting famine-cess.

Dated 28th March, 1905.

From—Hon'ble Raja Ali Mohamed Khan, President.

Rifahiam Association, which counts among its members many of the educated citizens of this city and province, most of whom are malguzars, or tax-payers, desires me to convey through you to His Excellency the Viceroy in Council its respectful thanks for recent abolition of famine-tax and reduction in salt-tax; new postal regulations and increased allotments for police and education have also been received with satisfaction. In conclusion the Association desires me to ask you to convey to His Excellency in Council their respectful acknowledgments of the generous treatment of these Provinces as evidenced by recognition of widespread damage to crops by recent frost.

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" Cesses on Land.

"My Lord, while welcoming most gratefully the repeal of the famine-cess in the provinces in which it was levied, I beg to submit the following for Your Lordship's favourable consideration. The relief afforded is confined to three provinces only ; other provinces do not participate in it. The aggregate amount of the repealed cess comes to about Rs. 22 $\frac{2}{3}$ lakhs only out of the total annual sum of more than 423 lakhs levied, in the whole of India, as cesses and rates. The remission just made will not benefit the cultivating classes whose claims upon the Government, for a substantial relief, by reduction of the taxation, are many. They form the bulk of the Indian nation : they pay to Government more than 33 crores of rupees as land-revenue and cesses, in addition to other direct and indirect taxes paid by other sections of the community : they have been the greatest losers by the depreciation in the value of silver, and by the artificial value given to the rupee by the currency legislation : and they have already suffered most, and are liable, in future, to suffer again, by drought, inundation, frost, and other calamities of the season.

"The reduction in the duty on salt has no doubt afforded them some relief, but the quantity of that article consumed annually by the family of an agriculturist is so small that the relief thus given to him is not very appreciable. Moreover, this is a kind of relief which is shared in common both by the agricultural and other classes of His Majesty's Indian subjects. But considering that the agriculturists labour under peculiar disadvantages, considering that they have to bear the brunt of direct taxation and its ever-increasing weight, and suffer more terribly from the devastations and ravages of famines than any other section of the community, they are, my Lord, entitled to some special relief at the hands of the Government, at a time when, by reason of an overflowing treasury, it is in a position to afford such relief.

" Cesses in the United Provinces.

"In this connection, I beg to refer specially to the case of my own provinces. They pay the largest amount of land-revenue and cesses, more than a quarter of the total sum paid by the whole of British India. In 1903-1904, the revenue paid by them came, in round numbers, to 639 lakhs, and the cesses to 164 $\frac{1}{2}$ lakhs ; whilst all the other provinces put together contributed 2,095 lakhs and 319 lakhs under both those heads, respectively.

"In no other Indian province have the land-revenue and cesses gone up by such leaps and bounds as in the United Provinces. In the last decade alone, i.e., from 1893-1894 to 1903-1904, the revenue has increased by about 45 $\frac{2}{3}$ lakhs, and the cesses by about 10 $\frac{1}{3}$ lakhs.

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"In the concluding years of the East India Company's rule, Lord Dalhousie laid down, for Northern India, the salutary rule of fixing the Government demand at one-half the actual rental. Some small cesses for local purposes, *viz.*, for roads, schools, and district post, were also levied, but their aggregate rate did not exceed $2\frac{1}{2}$ per cent. on the revenue. In Oudh these cesses were levied under certain circular orders issued by the Chief Commissioner. In Lord Mayo's time that rule was for the first time transgressed, and new rates were imposed, in the province of Agra under Act XVIII of 1871, and in Oudh under Act XVII of 1871. In 1878, when Sir John Strachey, the then Finance Member, created the so-called Famine Insurance Fund, a further rate at Rs. 2 per cent. on revenue was imposed, in the province of Agra under Act III of 1878, and in Oudh under Act IV of the same year. We are grateful to Your Excellency's Government for repealing the last-named cess this year.

"There are two other cesses levied on land in these Provinces which require special mention; these are the *chaukidari*-cess and the *patwari*-rate.

"My Lord, the watchman and the accountant had, from time immemorial, occupied the positions of village-servants in the rural economy of these Provinces. It was for the services rendered by them to the village-communities that they used to be remunerated by the tenants and landlords. But by degrees they have now been brought to the status of Government servants. The *chaukidar* has now become part of the Police and the *patwari* has practically become an adjunct of the Government Department of Land Records. They do not stand in the same relation to the landholders and tenants in which they stood before. The Government ought, therefore, to bear the whole cost of their maintenance and the landlords and tenants should be relieved of this burden.

"My Lord, there is another peculiar feature, about all these cesses, to which I would draw Your Lordship's attention. They are always imposed at the *maxima* rates provided by law, and in case there are savings, after expenditure, in the annual proceeds from them, then also the full rates, without any abatement, are always levied.

"My Lord, to take the case of the province of Oudh. By the late revision of assessment, there has been a very great rise in the revenue assessed on land, in all the districts throughout; the incidence of the increase over the last demand in each district is not uniform, but it ranges from 21 to 41 per cent. No satisfactory reason is given why the cesses, and specially the *patwari* and *chaukidari* rates, should have also gone on increasing,

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and why the expenditure, under the heads to which these cesses are employed, should have taken so immense a leap upwards as to absorb the very considerable increase in the amounts of these rates caused by the enhancement of the revenue proper.

"My Lord, the aggregate rate of the cesses levied on land, besides the land-revenue, came to 16 per cent. on the revenue. Your Lordship's Government has put the landed classes of these provinces under great obligation by the repeal of the famine-cess. After taking this remission into account, the amount of the cesses now left is 14 per cent.; they being the local rates, the chaukidari-cess and the patwari-rate. Some of these are levied from the tenants as well as from the land-holders. As remarked by the Hon'ble Mr. Baker, in paragraph 22 of the Financial Statement, the actual cultivator will get no benefit from the remission of the famine-cess. The generous and liberal policy inaugurated by Your Excellency's Government in this direction strengthens the hope entertained by the people of my provinces that the cesses which press so heavily on all the landed classes alike will soon be repealed or be reduced in the rate at which they are levied.

Military Expenditure.

"Before I take up other points, I wish to say a few words on the inordinate and alarming growth of Military Expenditure, a factor which exercises such a disturbing influence on the Indian finances. The expenditure under this head has, of late, increased by such leaps and bounds as to have almost doubled in the brief period of one decade. In 1903-1904 it was 19½ millions sterling. In 1904-1905 it came to more than 22 millions, an increase of 2½ millions in one year. For the next year, the increase in army expenditure is estimated at 31½ lakhs, i.e., £210,000, but actual experience has shown that these estimates cannot serve as a correct guide of what will be the actual outlay, as in the year which is about to close the excess over the budgeted amount has grown to £1,200,000 or 180 lakhs of rupees. A very considerable portion of the large surpluses is thus swallowed up by the ever-recurring increase in expenditure under the head of Army Services, &c., and the result is that the sums left in the hands of the Government for employment in measures calculated to effect administrative and material advancement of the country are diminished to a very considerable extent. And this is the state of things at a time, when the proved and unswerving loyalty of the Indian people should banish completely all ideas of any internal commotion, and the recent occurrences in other quarters of the globe should allay, at least for half a

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century, all apprehensions from any foreign Power. My Lord, the Secretary of State for India has recently made the statement that the Tibetan question is not a question of purely Indian interest. Justice and equity require, therefore, that the entire expenses incurred in connection with the Tibet Mission, or at least the major portion of them, should be borne by the Home Government, and not by India.

" Railways.

" My Lord, last week I had the honour to make the remark that the unprecedented increase in the income from the railway traffic is a noteworthy feature in this year's finances. More efforts should, therefore, be directed towards the improvement of comfort of, and facilities for, the third class passengers, and the example set in this direction, by a State line, *viz.*, the Oudh and Rohilkhand Railway, is worthy of being followed by the other lines. I hope that this question will receive the due consideration of the newly formed Railway Board.

" There is one matter in connection with the railway construction to which I beg to draw the attention of Your Excellency's Government. It is the providing of a shorter and more direct means of railway communication between two such important centres as Lucknow and Allahabad. At present there are two routes available, one *via* Cawnpur and the other *via* Partabgarh, but both of them are circuitous, though the last-mentioned one has shortened the distance to some extent. By constructing a chord line between Allahabad and Rai Bareilly the distance will be much diminished, and the time taken in transit will be reduced by some hours. The line will be a short one, and will not cost much.

" Indigenous Industries.

" My Lord, now that Your Excellency's Government has established a new Bureau whose special care will be devoted to industry and commerce, it is hoped that the encouragement and revival of the decaying indigenous industries will receive particular attention of the Government. The industrial and the artisan classes, in the rural areas, have largely abandoned or are abandoning their hereditary professions and taking to agriculture as the means for earning their livelihood. The situation is assuming a serious aspect day by day, by creating so much pressure on one industry only, *viz.*, agriculture, which is liable to so many vicissitudes. I admit, my Lord, that it is a question which is beset with very serious difficulties. A Budget debate is not the occasion during the course of which any detailed scheme can be proposed or discussed regarding

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a subject of such importance. My Lord, by way of example, I may refer to the industry of weaving. The introduction of the hand-loom, if effected by proper means, may bring about beneficial results. The Hon'ble Member in charge of the newly created Department who is in a far better position to grapple with this question will, it is hoped, devise some suitable measures for reviving the indigenous industries.

" Agricultural Improvement.

" My Lord, another important announcement contained in the Financial Statement is the allotment of Rs. 20 lakhs per annum for the development of agricultural experiment, research, demonstration, and instruction. What amounts will be allotted to the different provinces have not been mentioned, nor have any details been given as to how this money will be spent. But one of the objects to which a portion of this allotment is to be devoted is the creation of an agricultural college in each of the larger provinces. My Lord, this will be a move in the right direction ; the agricultural conditions of the different provinces not being homogeneous, the establishment of separate demonstration farms and separate colleges in each of the larger tracts of the country are the best means by which agricultural education on a practical and useful basis can be imparted.

" The great impetus which the subject of agricultural development has received during the last three years, and the care which is now being bestowed upon this subject by the Government engender the hope that the improvement of this industry in India has a very great future before it. The importance of this subject is such that it should constitute by itself a separate Department divorced from that of Land Records and Statistics, and be placed under officers who should devote their whole time and undivided attention to matters relating to the advancement of agriculture. But this should be done without incurring any additional cost, as there are more superior officers than one in each province in the Department as at present constituted, and the clerical staff of the Agricultural Section is separate from those of the Land Records and Statistics. It is only a proper distribution of the work among them that will be required.

" Police Reform.

" My Lord, another object to which a large portion of the surplus is going to be applied is the reform of Police, regarding which the intentions of Your Lordship's Government have been made public a few days ago. But as many details relating to the scheme are still to be worked out by the Local Governments, I refrain from offering any remarks on this subject at present.

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"Employment of Indians in the Public Services."

"My Lord, no question is of more vital importance both to the people and the Government than that of the recruitment of the public services in India. In the opinion of many people the cost of the administration in this country is very high. An infusion into the machinery of Government of a large, and growing yearly larger, element of the indigenous talent will go by far to solve this problem. The history of the employment of the Indians in the public services of their country is a history of pledges unredeemed and hopes unrealised.

"So early as 1833 the British Parliament had the magnanimity to pass Statute 3 & 4 Will. IV, cap. 85. Section 87 of that Statute runs as follows:—

'That no Native of the said territories (India), nor any natural-born subject of His Majesty resident therein, shall, by reason only of religion, place of birth, descent, colour, or any of them, be disabled from holding any place, office, or employment under the said Government.'

"It was in the same spirit that the Court of Directors, with reference to the above enactment, sent their Despatch No. 44, dated 10th December 1834, in which, among others, the following passage finds place:—

'But the meaning of the enactment we take to be that there shall be no governing caste in British India; that, whatever other tests of qualification may be adopted, distinctions of race or religion shall not be of the number; that no subject of the King, whether of Indian, or British, or mixed descent, shall be excluded either from the posts usually conferred on our uncovenanted servants in India, or from the covenanted service itself, provided he be otherwise eligible consistently with the rules and agreeably to the conditions observed and enacted in the one case and in the other.

'Certain offices are appropriated to them (Indians), from certain others they are debarred; not because these latter belong to the covenanted service and the former do not belong to it, but professedly on the ground that the average amount of native qualifications can be presumed only to arise to a certain limit. It is this line of demarcation which the present enactment obliterates, or rather for which it substitutes another wholly irrespective of the distinction of races. Fitness is henceforth to be the criterion of eligibility.'

"Next we come to the ever memorable Royal Proclamation of 1858, issued by the late august and illustrious Queen-Empress, wherein occurs the following passage breathing most noble sentiments of justice and humanity:—

'We hold ourselves bound to the natives of our Indian territories by the same obligations of duty which bind us to all our other subjects; and these obligations, by the blessing

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of Almighty God, we shall faithfully and conscientiously fulfil. And it is our further will, that, so far as may be, our subjects, of whatever race or creed, be freely and impartially admitted to offices in our service, the duties of which they may be qualified by their education, ability and integrity, duly to discharge.'

"In their solicitude to do justice to the Indians, Her Majesty's Government took still further action in that direction. At the time of the issue of the Proclamation above referred to, there existed section 57 of Statute 33 Geo. III, cap. 52, which laid down that 'All vacancies happening in any of the offices, places, or employments, in the Civil line of the Company's service in India shall be from time to time filled up and supplied from amongst the Civil Servants of the said Company belonging to the Presidency wherein such vacancies shall happen.'

"As this enactment stood in the way of giving effect to the wishes expressed in Her Majesty's Proclamation, the Statute 24 & 25 Vict., cap. 54, was passed in 1861, which not only defined, in the schedule attached thereto, the appointments reserved for the Civil Service, but empowered the authorities in India, in special circumstances, to appoint to these offices also persons other than Covenanted Civil Servants, subject to certain restrictions. But the authorities in India did not exercise the powers given to them in 1861 in favour of the Indians, for long nine years with the exception of two cases, and Her Majesty's Government passed in 1870 the Statute 33 Vict., cap. 3, providing in section 6 'additional facilities for the employment of the Natives of India of proved merit and ability in the Civil Service of Her Majesty in India.' Nine more years elapsed before the rules for giving effect to the above enactment were framed. These rules were not as good as they ought to have been, but they made it incumbent upon the Government to give about one-fifth of the appointments in the Civil Service to the children of the soil. They further reserved posts carrying a salary of Rs. 200 a month and upwards for the Indians exclusively, in all the special departments, except half a dozen. These rules were regarded with high appreciation, as they went to meet the just and legitimate claims of the Indians to superior appointments in all the civil departments of the Government.

"The Public Service Commission was appointed in 1882 to give effect to the generous intentions of the Home Government as embodied in the Statutes and Despatches above referred to. Unfortunately the recommendations of that Commission were not favourable to the interests of the people of this country. The Commission recommended to abolish the Statutory Civil Service and to reserve for the Indians only 108 appointments in the higher Services. Had the Statutory Civil Service been retained,

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Indians might have looked forward to securing for themselves 156 appointments in due course. Moreover, there is no guarantee that all the 108 appointments recommended by the Public Service Commission would be conferred upon the Indians only.

"I would draw Your Excellency's attention to the Circular of 1879 reserving posts of Rs. 200 per month and upwards, in certain special departments, exclusively for the natives of India. Clause (d) of paragraph 3 of the said circular excludes only half a dozen departments from its operation; that is to say, it doesn't go so far as to provide that the posts in them should be held as exclusively by the natives of India as in those special departments. The six excepted departments are (1) the Opium, (2) the Salt and Customs, (3) the Survey, (4) the Mint, (5) the Public Works, and (6) the Police. But though the last-named six departments were not exclusively reserved for the natives of India, yet the following instructions were issued in regard to them in that circular:—

'Though the six departments under clause (d) of paragraph 3 above are excluded from the operation of the present orders, the Governor General in Council does not wish that offices in these departments should be in any way reserved for Europeans,'

and very good reasons were given by Government for those instructions. It said—

'The duties of the Opium and Customs Department are not more technical or arduous than those of the land-revenue and settlement branches of the service, wherein natives of India do excellent work.'

"As regards the Survey Department, the Government said that—

'men of the same race as Colonel Montgomery's Native Trans-Himalayan explorers can surely be trusted with responsible offices in the survey of the plains of India.'

"As to the fitness of the Indians to discharge the duties of the Public Works Department, the Government said as follows in the same circular:—

'The Governor General in Council has been glad to see that in one most important branch of the Public Works Department, Bengal, the Lieutenant-Governor has decided that Native Engineers should be employed much more largely than hitherto.'

"And lastly, we have the following remarks about the Police Department in the same circular—

'the annual Police reports for the various Provinces show that the Native Police-officers when advanced to positions of trust do their work zealously and honestly.'

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“The circular concludes in these words:—

‘and the Governor General in Council hopes that it may be possible to appoint natives of India more and more freely in these departments.’

“Thus the Government of India have not only acknowledged the thorough fitness of the Indians to fill the higher offices in the six departments noted above, but expressed a desire that they might ‘more and more freely’ be appointed in them.

“Though a quarter of a century has passed away since the Government issued those instructions, the following table will show how far they have been carried out in practice with regard to the higher posts in those Departments having salaries of Rs. 200 or upwards attached to them (the figures in this and all other tables being taken from the Home Department Resolution of 24th May, 1904) :—

Name of Department.	Number of Europeans and Eurasians.	Number of Indians.
(1) Opium	69	12
(2) { Salt	128	47
{ and Customs	169	16
(3) Survey	99	9
(4) Mint	38	3
(5) Public Works	696	381
(6) Police	668	179
Total	<u>1,867</u>	<u>647</u>

Thus we find that in the grades carrying a salary of Rs. 200 or upwards the proportion in which the Europeans and Eurasians stand to the Indians is as 3 to 1.

“Then, my Lord, the mere number of appointments does not, however, represent the real situation, for it is only in the lower grades of the higher posts that the Indians have a place. In the higher grades they are conspicuous by their absence.

“For the sake of illustration I shall take the Opium Department :—

Grades.	Europeans and Eurasians.	Indians.
Rs. 200—300	7	3
Rs. 300—400	9	2
Rs. 400—500	11	5
Rs. 500—600	8	2

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" There are 34 other higher posts in this department carrying salaries ranging from Rs. 600 to Rs. 3,500, and all these are held exclusively by the Europeans. The same state of things exists in the five other departments named above. But to avoid burdening my remarks with dry figures I have given them in a tabular statement which is marked Appendix A.

" With regard to other departments, which were 'reserved mainly to Indians,' such as Post Office, Telegraph, Railway, etc., and which are not subjected to the reservations applicable to the six excepted departments, the same remarks do apply. The tabular statement given in Appendix B will show that the Indians hold none of the higher appointments in these departments also.

" My Lord, one of Your Excellency's most noble utterances contained in the memorable speech delivered at Jeypur gave rise to great hopes in the minds of the people of this country. They look with eagerness to the doors of the higher grades in the Public Services being opened wider and wider for their entrance. I do not for a moment contend that the Europeans should not guide and control the affairs of the country, which, in my opinion, is essentially necessary for its good government. I can also fully understand the policy of the Government in excluding the Indians from such services as the higher military services, the Foreign Department and the like. But the claims of the children of the soil should also receive due attention. If competent men from among them be available why should they not have more extended admission to the higher posts in such departments as Opium, Salt, etc.? My countrymen earnestly hope from Your Excellency's Government that extended action will be given to the rules and orders in this respect by bestowing on them posts to which they may be found to have qualified themselves.

" Separation of the Judicial and Executive functions.

" My Lord, there is one other matter of administrative reform, of the most important nature, to which I beg to make a very brief allusion. It is the separation of the executive and judicial functions—a crying want urgently needed in the interests of justice. At one of the former debates Your Excellency was pleased to remark that this subject will receive Your Excellency's early attention. The public are anxious to know if any, and what steps, have already been or are going to be taken by Your Excellency's Government towards the solution of this problem which is of such vital importance to the governed.

" Loss of Spring Crops in the United Provinces.

" My Lord, I shall now address the Council on matters of purely provincial importance and of immediate concern to the United Provinces.

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The subject which at present engrosses the attention of the people of my provinces is the gloomy prospect before them, brought about by the total loss in many, and the partial one in almost all the districts, of the spring harvests, brought about by the severe cold and unprecedented frosts of the latter part of January and the beginning of February last. The full extent of the damage cannot be correctly estimated until the crops are gathered, but from the accounts received it appears to be very considerable. I am glad to notice that the seriousness of the situation has been recognized by the Government, as has been stated by the Hon'ble Mr. Baker in his Financial Statement, and provision has been made in the Budget for remissions of revenue to the extent of $42\frac{1}{2}$ lakhs. Whether this amount will suffice to afford adequate relief to the landed classes in the tracts of the country affected by this misfortune, is a question on which no definite opinion can be pronounced just now, but there can be no doubt that our sympathetic Provincial Government will make the best use of the means placed at its disposal by Your Excellency's Government, and make liberal remissions of revenue in the affected districts. My Lord, the landed classes of the United Provinces deserve a lenient and liberal treatment at the hands of the Government, because in the years of prosperity they have been very regular in the discharge of the revenue demand. In 1903-1904, out of a total demand of 627 lakhs, they paid more than 624 lakhs, or 99·5 per cent. The Local Government in its last Administration Report has noticed this fact and has said that the balance left unrealized consisted mostly of suspensions and remissions, 'and in the whole of Oudh there is no balance at all.' The people who pay the Government demand in good years so regularly ought to get adequate relief by remissions of revenue, when adverse circumstances, beyond human control, have placed them in sore need of asking for such relief.

"Education.

"My Lord, the next subject of provincial importance on which I wish to make a few remarks is the condition of education in my provinces. That they have not kept pace, in educational advancement, in almost all the branches, and more particularly in Primary Education, with the other Indian provinces such as Bengal, Bombay, Madras or even the Punjab, and that they occupy a position in educational matters inferior to these provinces, are facts which cannot admit of any controversy. The Quinquennial Report of the Progress of Education in India published last year furnishes abundant proof of these facts. But it is not to any apathetic feeling in the people towards education, but to the want of facilities to obtain it, that these results

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are due. Want of funds has hitherto kept back the Local Government from establishing a sufficient number of primary schools to impart instruction to the masses. Lately Your Lordship's Government made an allotment of money to be spent on education, but that was not sufficient to remove even the immediate wants. The Local Government, in its review of the Departmental Report of Education for the last year, said as follows :—

'The rural population is showing signs of a desire for more extended system of lower primary education of a very simple character. The Government has not the funds fully to meet that growing desire.'

"In the Budget the Government have made provision for an annual permanent grant of 35 lakhs for expenditure on Primary Education, the share of the United Provinces being 6 lakhs. This is a very welcome and timely help, but it will not suffice to fully meet the wants. The United Provinces are again unfortunate in not getting an allotment bearing an adequate proportion to the revenues contributed by them or sufficient to supply their immediate educational requirements, a treatment against which they have a just cause to demur.

"As the grant will be ear-marked for exclusive employment to purposes relating to Primary Education, there will be no funds available for the removal of equally pressing necessities in other branches. Some of the most urgently needed reforms are :—

- (1) The employment of better qualified teachers in Secondary Schools. At present boys have to commence their study of English under teachers getting Rs. 20 or Rs. 15 per mensem, with the result that they acquire a very imperfect and erroneous knowledge of English pronunciation and idioms.
- (2) The school-masters lost their privilege to pensions in the year 1886. With their meagre salaries they can scarcely save anything for their old age. In these circumstances honest and whole-hearted devotion to duty can hardly be expected of them. The Local Government has just given this privilege to the headmasters, but the concession should be extended to other tuitional staff also.
- (3) The town schools are in urgent need of decent buildings for boarding houses. In many places they are such that the Magistrate-Chairman of one of the District Boards says about them that 'they are not fit for cattle to live in, much less boys.'

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- (4) The Training College for teachers at Allahabad requires improvement in its staff.
- (5) Appointment of one or two European Inspectresses with European education and experience to direct female education; other provinces have got them.
- (6) Opening of more Normal Schools; the supply of trained teachers being very unsatisfactory and far below the demand.

“My Lord, these are some of the most pressing needs which can only be removed by more money being allotted to the United Provinces for expenditure on education.

“Oudh Judicial Commissioner's Court.”

“My Lord, there is one matter relating to the administration of justice in the province of Oudh which deserves consideration. The highest Appellate Court of the province is at present constituted of three Judges, but only two of them are permanent. The appointment of the third Judge is of a temporary character, and sanction of the Government is required for its continuance every year. This is a state of things which, considered from every point of view, is, to say the least, very unsatisfactory. The importance and the number of the cases which come for decision before the Judicial Commissioner's Court, the great value of the property involved in many of them, and the income derived from the court-fees, render it incumbent on the Government to make the appointment of the third Judge permanent.

“District Boards.”

“My Lord, one of the purposes to which a portion of the surplus is going to be devoted is the improvement of the financial condition of the District Boards. It is a move in the right direction. The help thus given to these bodies will place their finances on a more independent and sounder basis, and give them more extended means of effecting material improvements in all the branches of their administration. The share of the United Provinces in this allotment comes to 8 lakhs of rupees. This financial help will place the Local Government in a better position to give the District Boards more independence in financial matters, which I think that Government desire to give to them by legislation about to be introduced into the local Council.

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" Municipalities.

" My Lord, the last point which I beg to urge for the consideration of Your Excellency's Government is one relating to the Municipalities of the United Provinces. Substantial help has been given to the larger Municipalities by relieving them of the full amount of the Police charges, but the smaller ones have been relieved to the extent of half only of those charges. The funds at the disposal of the latter class of municipalities are not sufficient to meet the expenses required for proper sanitation and educational purposes. It is prayed that all the Municipalities in the United Provinces may altogether be relieved from this burden, a privilege which is enjoyed by these bodies in Bengal."

The Hon'ble MAHARAJA OF DARBHANGA said :—" My Lord, the happy recurrence of a surplus year by year cannot fail to lend a cheerful touch to the comments of Members of the Council, like myself, who have no share in the work of administration and whose task upon occasions such as the present is necessarily confined to the offering of respectful congratulations and equally respectful suggestions. The former, I need hardly assure Your Excellency, are uppermost in my mind and in the minds of those whom I have the privilege to represent. But it is inevitable that the people of the country, who contribute the surplus, should feel the strongest possible interest in the manner in which it is proposed to utilize the excess of revenue over expenditure: and I have the less hesitation in venturing to submit my views upon the subject, as I have fresh and clear in my memory the assurance conveyed by Your Excellency in a previous Budget Debate that the Government of India was content to test the efficiency of its administration by the contentment of those it governed. I fully recognise the impossibility of pleasing every one, and the necessity in a country such as ours of holding an impartial and even balance between the conflicting claims of race and religion and a variety of complex considerations which it would be difficult to find elsewhere. But when we have a surplus admittedly large and to all appearances stable and an example afforded by last year's Budget that remission of taxation can be safely granted without endangering that surplus, I would submit for consideration whether it cannot be ascertained with some degree of precision what are the exact sources from whence the excess is derived, and whether the principle cannot be adopted of affording in the first instance corresponding relief in those directions. And in this connection I am encouraged by Your Excellency's frequent declarations to ask further whether it cannot

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be found practicable to consult the various public bodies and associations and obtain from them an expression of their views as to the quarters in which the incidence of taxation is most heavily felt. I am conscious here also that every one who wears the shoe is apt to cry out that it pinches. But it would of course be for the Government to sift and appraise at their proper value the recommendations and proposals that reached them. They would not in any way be committed to adopt any course of action that might be suggested: but at the same time they would enjoy the advantage of becoming acquainted with the trend and condition of public opinion. And, if I may be permitted to say so, there is a certain amount of intelligent public opinion in India which is anxious to be of loyal assistance and service to the Government and which a concession of this nature would go far to conciliate.

“ Having said so much, I am bound to freely confess that the point of my criticism is completely met, as far as the present Budget is concerned, by the manner in which a large portion of the surplus has been distributed. We in Bengal have received with very great pleasure the appointment of my Hon'ble friend Mr. Baker to the Financial Membership of Your Excellency's Council: and our long personal knowledge of him and our appreciation of his many merits and good qualities have led us to anticipate the happiest results from his tenure of office. Few of us, however, expected the surprise that was in store for us. The Hon'ble Member, if I may say so, has not only made his Budget exposition as interesting as it is lucid, but he has given remissions of taxation in exactly the directions in which they were needed. His proposals have met with universal approbation, and I dare venture to say that if a plebiscite had been invited (or the nearest approach to it which India could afford) no more popular subjects could have been selected than those which have received the sanction of Your Excellency. The further reduction in the salt-tax is a boon for which thousands of the poorer classes will be sincerely grateful to Your Excellency. The raising of the half-anna limit of postage to three-quarters of a tola will appeal to a different section of the community: but it is equally appreciated. Coming as it does so soon after the reduction in telegraphic rates, it evidences practical sympathy and a wise foresight, the exhibition of which has surprised no one but has gratified all. Had these two remissions stood alone, I think we should most of us have been satisfied. But Your Excellency has gone still further. What with grants for agricultural development and primary education, the grants to local boards, the abolition of the famine cesses in Upper India and the welcome appropriation for carrying out a portion of the reforms advocated by the Police Commission, the catalogue

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becomes quite bewildering. Those who believe that the people of India are heavily taxed in comparison with the people of other countries, may, and no doubt will, continue to hold those views: but they will at least have to admit that in the Budget before us today, there is sensible relief afforded and an equitable distribution of the surplus attempted.

“In reading through the Budget Statement, I was especially pleased, my Lord, to notice the enormous increase in the net profit in cash Indian revenues from Railways. The subject is one in which my interest has always been great. And on the present occasion I am the more tempted to dwell upon it, because of the latest addition to Your Excellency’s Council which has been brought about by the formation of the Department of Commerce and Industry. We have all recognized that the work of organization must be entrusted to practised hands, if it is to be successfully undertaken and adequately performed; and I am only expressing the general hope when I say that I trust that the Hon’ble Mr. Hewett will not be called away to any other higher distinction until he has had time to put his department in thorough working order for the commercial expert who will, according to Your Excellency’s intentions (as they have been conveyed to us) be ordinarily the holder of the portfolio. I need not enlarge upon the satisfaction with which the creation of this department has been received by all who are interested or engaged in commerce. The reform has been long awaited and is the more welcome now that it has come, because it is accompanied by the constitution of a separate and distinct Board to deal with railway questions. I am well aware, my Lord, that the Railway Board is likely to have its hands full at the outset of its career, and I have no wish to embarrass them. But now that railways are to occupy the attention of a Board of acknowledged experts, it may perhaps be permitted to hope that a considered scheme may be put in hand in the near future for the effecting of systematic improvements upon all the railway systems in India. I am not in a position to compare our Indian railways with those of other countries: and I shall not attempt to do so: but in common with others I have perceived from a perusal of Mr. Thomas Robertson’s admirable report, that there are many respects in which comparison reveals a need for improvement. I do not for a moment suggest that nothing has been done or is being done. Only the other day I observed a letter in a weekly engineering paper, which congratulated a railway official in Burma for the consideration he had shown to third-class passengers who were no longer carried from Rangoon in open trucks like so many cattle or sheep. And in this

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connection, I would suggest that the admirable example set by the Oudh and Rohilkhand Railway some eighteen months ago might be generally followed. As my Hon'ble colleague, Rai Sri Ram Bahadur, reminded the Council the other day, a conference was called in December, 1903, by Mr. Burt, the manager of the Railway, for the purpose of ascertaining from the representatives of third-class passengers their 'real and reasonable wants and their inconveniences and difficulties,' and to receive from them proposals and suggestions for amelioration and alteration. I was much struck, my Lord, by the report of the proceedings which I read at the time, and especially by the introductory speech of Mr. Burt, the Manager. The conference was presided over by Mr. Hardy, the Commissioner of the Division and a former member of this Council : and the resolutions at which it arrived were as remarkable as the spirit which had called the meeting into existence. I may be pardoned if I recall some of those resolutions to public notice, for they relate to grievances which are not by any means confined to third-class travellers on the Oudh and Rohilkhand Railway. Perhaps the most important relates to the practice of using goods wagons for passenger traffic—a practice which is not as uncommon as it ought to be and which has not been discontinued in India as it appears to have been in Burma, if we may accept the statement of the correspondent to which I have just referred. I submit that it cannot be to the credit of any railway administration that it should anywhere exist. It is a truism that the backbone of the coaching traffic is the third-class passenger : and his complaint under this head is so reasonable that I cannot but feel it will not escape the early attention of the Railway Board. The reason, it is to be presumed, for this diversion of goods wagons from their legitimate use is the inadequacy of rolling stock : and hence it was that the Conference offered the further suggestion that while additional rolling stock was under construction, the goods wagons set apart for the accommodation of third-class passengers should be provided with ventilators and benches and be properly cleansed before such use. It seems strange that such obvious preliminaries should have slipped the notice of any railway authorities ; and I should have hesitated to repeat the complaint if it had not been uttered in the first instance by those who had had actual experience behind them. In any case, it appears to me to require nothing more than the mere statement to insure the application of an immediate remedy. The question of latrine accommodation is closely connected with this, and I am glad to know that it is under serious consideration. The habits of the lower classes are, no doubt, a difficulty : but the difficulty is surely less than that involved in the introduction of third-class railway travelling in India at all. Then again the question of refreshment-rooms for Indian passengers and of an

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adequate supply of drinking water has already formed the subject-matter of discussion in Indian newspapers : and the conference at Lucknow suggested that the experiment of dining cars for Hindu and Mussulman passengers might be tried : and it proposed that in all passenger-trains arrangements should be made for carrying drinking water, in other words, that two Brahmins and one bhistee be engaged to travel with each train for the supply of water. I willingly allow that these recommendations may not be feasible especially as regards the orthodox section of the Hindu community : and it is probable that a more convenient way of meeting the wishes of the Indian travelling public can be found in the provision of properly equipped refreshment rooms at the important stations. And at the stations also there is another improvement which in my humble judgment is urgently called for. Proper waiting rooms with adequate lights and seats should be provided for third-class passengers, in place of the corrugated iron sheds exposed to the inclemencies of the weather, which too often are all that are to be found. Other requirements might be enumerated, but I have no wish to trespass upon the time of the Council. I have ventured to call attention to what I deem to be the more important, and I will only add one more observation in the nature of an appeal to the Government to encourage the holding of these public conferences by each important railway system from time to time. Nothing but good can come out of them : and they possess the additional advantage of keeping before the railway authorities the needs of a class whose influence upon the annual balance-sheet happens to be in inverse ratio to their ability and power to represent their grievances under ordinary circumstances.

“ In this connection, I would further suggest that the discussions at these conferences should embrace the requirement of the whole passenger traffic and not of third-class passengers alone : and that a central conference might be arranged, at which not only Railway representatives should attend, but delegates also from leading public bodies and associations.

“ My Lord, I pass on to another topic of cognate interest and with an equal claim for consideration. Your Excellency at the banquet given to the delegates from the associated Chambers of Commerce, referred, not for the first time, to the unwillingness of the Indian community as a body to put their money into commercial enterprise. I do not for a moment presume to dispute the accuracy of the fact so stated ; but I can assure Your Excellency that there is plenty of money available : and the Indian capitalist's unwillingness would be largely overcome, if he can be convinced that his money is required for investment and not for speculation. An appreciable impetus would be given to the opening out of the

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country by the development of railways undertaken by private enterprise, if the Railway Board could see its way to formulating a scheme for the guaranteeing of interest. If this can be done, the money will be readily forthcoming. As matters now stand, it is Indian capital which controls the entire internal financing of the country. It is Indian capital which grows and brings to market the crops. There is no reluctance in that direction to embark upon industrial enterprise. In the presidency-towns the situation is admittedly somewhat different: but the example set by the flourishing conditions of the many light railway undertakings in which the interest is guaranteed by the Local Board concerned, may be not unreasonably taken to indicate that it is by this means and this means alone that the co-operation of Indian capital may be induced in other directions. My Lord, while I am upon the subject of railways and railway development, I would ask permission to say a word or two upon the question of the provision of a central station for Calcutta. The project is one of which nothing has been heard for some little time, but I venture to say that the need for it has not diminished. And it has, I submit, acquired additional importance from the fact that a comprehensive scheme for the improvement of Calcutta is in contemplation. Side by side with the opening up of Burra Bazar may well march the construction of a central station and a permanent bridge across the Hooghly. It has been estimated, I believe, that the cost of a central station and a permanent bridge will not be less than a crore and a half of rupees: and the question naturally at once arises as to the ways and means by which the interest upon this large sum is to be provided. The tea and the jute industries are strongly opposed to a terminal charge: and coal comes over the Jubilee Bridge. From what source then are the interest charges to be obtained? I venture to suggest one, and with the more confidence because I find it has occurred also to my esteemed friend Sir Patrick Playfair who accorded to its discussion some prominence in his remarks at the Chamber of Commerce a few weeks ago. The surplus of the East Indian Railway has gone to the Government for the past five years or more: and if I may be permitted a rough estimate, I should put the amount at not less than a million sterling. I would respectfully submit that the Government should forego this and appropriate it to the development of the railway systems which converge upon Calcutta. There can be no disguising the fact that existing railway rates are regarded as unduly high: but this will be borne with more equanimity if the surplus so obtained is, in the sense I have indicated, handed back to those from whom it is in the first instance taken. But it is a question whether the rates cannot be reduced and the high rate of surplus be still maintained by reason of the increased traffic which would be the

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result not only of the reduction but of the improvement in communication that are effected.

“My Lord, I now beg permission to advert to a subject which I can assure Your Excellency has been much discussed. Over one million sterling has been adjudged to be payable by India in connection with the Tibetan Expedition: and it has been understood that India stands to benefit largely as the result of that expenditure. I do not know, my Lord, if I am asking for information which cannot be made public; but a statement of the exact commercial advantages India has gained by the treaty of Lhasa would be most acceptable to all those who are interested in trade development. As far as the public are aware, the Tibetans under the former Commercial Treaty, possessed the right to exact a customs-duty on Indian tea not greater than that levied by Great Britain herself. Has that restriction been removed, and the importation of Indian tea into Tibet placed upon the same footing as that of China tea, which, it is understood, is subject to no such duty restrictions? Upon the general question also, there is a considerable amount of curiosity with regard to the actual commercial prospects which the Expedition has opened out. The Secretary of State for India has told the House of Commons that the cost of the Expedition properly falls upon the Indian taxpayer, as it has been undertaken in his interest. Indians and Anglo-Indians alike have no desire to dispute this proposition: they are anxious to avail themselves of the advantages they have derived or are likely to derive: but if I may add the observation, there is a feeling among them that if imperial interests have at all been served, there should be an apportionment of the cost accordingly and a relief to the Indian Exchequer to correspond with the Imperial aspect of the case. Your Excellency has always shown so jealous a regard for Indian matters such as these that the public sentiment upon this point is not without hope of support and encouragement from Your Excellency's Government.

“My Lord, I recognise fully that the information which is at the disposal of non-official Members gives them neither capacity nor authority to comment upon questions of foreign policy. I shall, therefore, offer no further observations under that head, beyond assuring Your Excellency that my references to the Tibetan Expedition are made solely from the commercial point of view and with a desire to learn if some portion of the burden it has imposed cannot be taken from our shoulders. There are so many schemes of development and reorganization which are awaiting attention that the feeling is only natural which prompts the wish to have all the available means at the disposal of Government for their efficient accomplishment.

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“Prominent among these schemes I may be permitted, my Lord, to name the proposals for the reform of the Police and the Calcutta Improvement scheme.

“As one to whom the honour was accorded, my Lord, of appointment upon the Police Commission, I trust I may be allowed to thank Your Excellency for the ready and generous acceptance which the recommendations of the Commission have met from Government. In the main I feel myself throughout to be in hearty agreement with my colleagues and rejoice to find that a beginning is being so promptly made with the work of reorganization, and that the promise is held out of a systematic continuance of it until completion. But I trust it will not be taken amiss if I repeat most respectfully the regret expressed by me in my minute of dissent to the Report, that it has been found necessary to close the doors of the new Imperial Police Service to Indians and to relegate them to a Provincial Service under the designation of Deputy Superintendents of Police. I am sorry to say, my Lord, that I regard this as a mistake; and the view is, I know, largely shared by very many of my countrymen. I will not reproduce the arguments which I have marshalled in my minute of dissent: and will only venture to say that much of the dissatisfaction which is felt will, I am sure, be allayed if a modification of the scheme now sanctioned can be looked for in the near future. Indians are eligible for the Indian Civil Service and the Indian Medical Service and fill some of the highest positions therein with credit and distinction. We have had from Your Excellency's own lips a cordial appreciation of the ability and integrity of the Indian gentlemen who so worthily sit upon the Benches of the Presidency High Courts. And educated Indians would be glad, my Lord, to feel that the bar now set against their entrance into the higher ranks of the Police Service is not intended to be permanent. Where opportunities have been given them elsewhere they have proved themselves worthy. I take leave most respectfully to assure Your Excellency that if an opportunity is given to them here also they will not be found wanting.

“To the second matter discussed in my note I should like, my Lord, to make the briefest possible reference. Your Excellency has had before you since 1898 a memorial signed by a number of distinguished Anglo-Indian ex-officials in which the separation of the Executive and Judicial functions is prayed for. As far as the public is aware, Your Excellency has not yet come to a decision upon the subject. The reform is so influentially advocated and will be so acceptable to a large section of Indian public opinion that I trust I am not going outside my province when I beg of Your Excellency to give the matter a favour-

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able consideration. I have ventured in my note of dissent to indicate the methods in which in my humble judgment the reform can be carried out. We do not ask for its universal introduction throughout India, but we pray Your Excellency to permit its adoption in certain carefully selected districts in the more settled portions of Bengal, Madras and Bombay.

"My Lord, I will say no more upon this head, but proceed to submit for Your Excellency's consideration certain observations which the public feeling upon the proposed Calcutta Improvement scheme emboldens me to make. It is understood that the scheme has received the sanction of the Secretary of State and that the details are now under discussion between Your Excellency's Government and that of His Honour the Lieutenant-Governor of Bengal. I need perhaps hardly say that the disclosure of the proposals is awaited with the keenest interest in Calcutta. As far as the details are concerned with the particular thoroughfares which are to be dealt with, I beg to assure Your Excellency that reticence is felt to be the most appropriate and most admirable course to pursue. But I venture to add that by far the greater curiosity has been excited by speculation as to the organisation by which the improvements are to be carried out, and the methods by which the interest on the capital expenditure will be met. May I respectfully express the hope that the Calcutta Corporation and other public bodies may be consulted upon these matters before any definite decision is arrived at, and if the rate-payers are to provide the major portion of the interest charged they respectfully submit that their representatives should be permitted to place their views before Government while there is yet time and opportunity.

"I have only a very words to add, my Lord, before I bring my remarks to a conclusion. It is not necessary for me to enlarge upon the loyal feelings which have been evoked by the announcement of the approaching visit to India of Their Royal Highnesses the Prince and Princess of Wales. But may I be allowed to say that the pleasure is enhanced by the thought that while Your Excellency's first tenure of office was signaled by the Coronation Durbar at Delhi, the second should be commemorated by an event equally auspicious and equally memorable ?

"The present session, my Lord, has been uneventful, but it has not prevented the maturing of those schemes for the internal development of the country in which Your Excellency's interest has been so thorough and so practical. In a few days Your Excellency will be laying the foundation stone of the Agricultural College at Pusa, and the hope is universal that this will mark the commencement

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of a new era in the history of Indian agriculture. I can sincerely assure Your Excellency that all those who are concerned in the land, whether as land-owners or cultivators, are exceedingly grateful for what you have done for us in this connection. It is a noble work and bids fair to be for ever associated with Your Excellency's administration of the Government of India."

The Hon'ble RAI BAHADUR BIPIN KRISHNA BOSE said:—"My Lord, I beg to add my voice to the chorus of approval which the Financial Statement, especially that part of it which relates to the measures dealing with the application of the surplus, has generally evoked. The hopes entertained when the duty on salt was reduced two years ago that this would be responded to by an increased consumption have happily been realized, and as a result of the further reduction now determined upon one may reasonably count upon a still further growth of consumption. The abolition of the famine insurance cesses will give great satisfaction not only because of its actual effect in lightening the burdens on land, but no less so as evidencing a practical recognition of the superior claims of the landholding and agricultural classes for a liberal treatment. So far as the Central Provinces are concerned, the benefits of this measure will reach the actual tillers of the soil, in the case of the privileged tenants directly and in the case of non-privileged tenants indirectly, through a proportionate abatement of their rents either at the next settlement or at a revision by the Revenue-officer. The assignment of 35 lakhs to Provincial Governments for expenditure on primary education will be a most welcome addition to the funds now available for this most important branch of public instruction and will enable some much-needed reforms to be introduced. I may refer especially to one of them, namely, the pay of teachers and monitors in the rural schools in my Province. Great many of them now receive salaries which would be rejected by work-people in a town, for instance, like Nagpur. The proposed grants-in-aid to the District and Local Boards will much strengthen the finances of these local bodies and enhance their usefulness. At the annual Budget meetings I have times without number seen members come with carefully prepared lists of works of public utility within their respective jurisdictions, which, however, are unceremoniously rejected for want of funds. Besides leading to abandonment of many necessary reforms, this procedure, repeated year after year, has naturally a most chilling effect on the members, who gradually slacken in their zeal and cease to take an abiding interest in their duties, when they see that outside the prescribed groove and

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beyond certain fixed limits, no works of improvement, however important or urgent, could be taken in hand for want of necessary ways and means. The policy underlying this measure will thus prove beneficial not only in its direct effect in accelerating the pace of progress, but its indirect effect in maintaining among the members a spirit of active interest in their work will be no less beneficial.

“ In the face of these measures, every one of which will, directly or indirectly, benefit the great agricultural community, it may seem somewhat ungracious to suggest further concessions on their behalf. If, however, I do so, it is not with a view to press for grant of such concessions at the present moment, but with the object of indicating how, in the event of any further permanent improvement in the finances taking place in the future, this most important class, constituting as it does so overwhelming a proportion of the entire population of the Empire, may, in my humble judgment, be best made to share in the benefits of such improvement with the greatest advantage to themselves and to the country at large, which cannot prosper unless they prosper. I refer to a reduction of the maximum limit within which the State demand is adjusted at every revision of settlement. It is sometimes said that the Government revenue absorbs so small a portion of the gross produce that any reduction in the assessment would be hardly appreciated. I venture to submit that in the special circumstances of the Indian agricultural community such is not the case. The Government demand is fixed by a system of elaborate estimates of average yields in average years and by forecasting the probable selling prices of produce for a term of years, whereby a guess is obtained at the gross value of an average crop. The demand is then fixed at a certain percentage of this value, and the assessment thus fixed must ordinarily be punctually paid on fixed dates. The advantage to the agriculturists from this scientific system is discounted by several disturbing elements. In the first place, agriculture by its nature is subject to vicissitudes far greater than those attending most other industrial enterprises. In trade and manufacture, success depends in a great measure on sagacity and prudence. In the case of agriculture, however, the least aberration in the weather conditions may mar the results of highest prudence and of most economical use of capital. Witness the lamentable damage to the *rabi* in tracts over which the recent cold wave passed. Thus the crops vary from *nil* to bumpers, but, unless specially remitted or suspended, the revenue must be paid, crop or no crop, on due dates. Then again the revenue-payers are, speaking generally, in poor circumstances, possessed of little or no reserve which they can fall back upon

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in case of need. Thus a certain portion of the produce has to be sold at all hazards to pay the rent or revenue on or before a fixed date. And this, what is practically a compulsory sale, takes place at a time when all the produce of the country is brought to the market and when consequently the prices are at their lowest. The agriculturist can neither wait nor dictate his own terms. Further it is a fact, which is now noticed in almost all advanced tracts not served by irrigation systems, that the soil is undergoing a slow but certain deterioration. But while the outturn shows no sign of improvement, the number of mouths to be fed has a tendency to increase and, but for the checks from recent famines and the plague, would have largely increased. In fact, so far from the aggregate outturn increasing, there is a general complaint that the best lands are getting exhausted by over-cropping and neglect of fallows. Thus, however moderate the State demand according to the scientific standard of the Settlement Department, and however skilfully it may be adjusted, the natural forces at work have a tendency to make that demand more and more burdensome. Any relaxation therefore, however slight, of this pressure of the unvarying State landlord's share cannot fail to give relief.

“The substantial sum of 20 lakhs has been set apart for initiating a large scheme of agricultural research, experiment and instruction. In connection with this subject I may take the liberty to draw attention to one or two facts, which have an important bearing on the question of utilization of the measures of improvements which are either in progress or in contemplation. In most of the advanced tracts the available good lands are nearly all occupied. The produce of the country in an average year is, after meeting the liabilities in connection with what are known as the Home charges, barely sufficient to maintain the population and leave a surplus for occasional failure of crops. It is unsafe and undesirable to break up more of the uncultivated poor lands, first because they cannot, under ordinary circumstances, be made to pay, and secondly because the diminution of pasture thereby caused is calculated to affect injuriously the number and quality of plough-cattle for an increasing area of cultivation. Then again, under the exigencies of the village economic situation, the agriculturists are compelled to utilise as fuel cattle-droppings, which from time immemorial have formed the most valuable item of manure for their lands. Thus the present agricultural system may be said to be to eat or to sell with a view to meet liabilities every article the land yields, to use the manure of cattle as fuel, and to return nothing to the soil in any proportion to that which is taken

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away from it. The consequence is that our agriculture has, except in a few specially favoured tracts, under the stress of inexorable economic causes, become simply a process of exhaustion. And an exhausting agriculture and an increasing population must in the long run bring about a dead-lock. The spread of a knowledge of improved methods of agriculture must of course be the first step towards checking and remedying this deterioration of the soil. Before, however, the knowledge thus acquired can be put to use, the agriculturists must have sufficient funds. In many parts of the country the actual tillers of the soil live a hand-to-mouth life and have little or no resources of their own, which could be used to improve their system of cultivation. They must therefore borrow. It is not every borrowing which is harmful. If one borrows say at 9 per cent. and is able to earn 12 per cent. extra profit from his cultivation by the use of his borrowed capital, he does not lose but actually gain by the process. Indebtedness is a source of danger and mischief when either the terms are such as eat up the legitimate profits of the borrower's own labour and capital or when borrowing is not for cultivation but is the result of improvidence or seasonal disasters. Thus the success of the co-operative credit societies which are being introduced is all-important. If they be established in sufficiently large numbers and be adequately supplied with funds to meet the needs of agriculture, the problem of agricultural improvement will be solved. It may not be out of place to mention here that one potent cause of deterioration of cotton is want of manure. If cotton lands could be adequately manured, new life would be given to them and the outturn, even with the present inferior seeds, would improve both in quantity and quality. In fact in the case of cotton land irrigation is out of the question, and manure is the chief thing that is needed to increase and improve its produce.

" Last year the question of employment of Indians in the public services was dealt with by Your Excellency with some fulness. In view of what was then said I feel bound to refer to the recent notification of the Secretary of State inviting candidates for eleven vacancies to be filled up during the year in the Public Works Department. The Indians are expressly excluded. Until recent years, any Indian, who could afford the money and was prepared to run the risk, could compete for such appointments by entering the Royal Engineering College at Cooper's Hill. Latterly the number of appointments open to Indians through this channel was limited to two, but now there is an absolute bar. As far as I am aware, there has been no corresponding compensating increase in the number of appointments which could be secured by successful students of the Engineering Colleges in India, nor has it been asserted that the Indians, who have hitherto

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been appointed Assistant and Executive Engineers, have as a class discovered any such defect of character or want of professional ability as would justify any curtailment of the privileges the Indians have up till now enjoyed in this matter. I am constrained therefore to characterise the policy which has dictated the notification as one not of progress but of retrogression in the matter of employment of Indians in the public services, and as such it is to be regretted."

The Hon'ble NAWAB SAIYID MUHAMMAD said:—"My Lord, I desire to be permitted to congratulate the Government unreservedly, and in particular the Hon'ble the Finance Member, inasmuch as this is his first Budget, upon the Financial Statement now before the Council. The Hon'ble the Finance Member is to be congratulated not only on the eminently satisfactory character of the Statement, but also for his clear and lucid presentation. I think it will be recognised on all hands that the Statement presented this year to the Council is memorable for the statesmanlike manner in which the large available surplus is to be utilised and the ample provision made for new schemes during the next financial year. Of special significance and of direct benefit to the mass of the population is the announcement of a further reduction, in India, of eight annas a maund, of the salt-tax. This makes the second reduction in the salt-tax within a comparatively brief period, both reductions having been made by Your Lordship's Government. In the year following the first reduction of the salt-tax the late Finance Member stated that the principal consumer of salt, the poor man who takes salt from the bania by the dole and cannot afford to buy it by the weight, had not been appreciably benefited by the reduction in the tax, or, at any rate, there was no satisfactory evidence to that effect. Now that another eight annas have been taken off and the tax reduced from Rs. 2-8-0 to Re. 1-8-0 a maund, the benefit must reach the smallest consumer. Looking at the immediate surrender of revenue, the wisdom of budgeting for a decrease under this head cannot be questioned. At the same time, having in view the fact that the revised estimates of the year about to close show the salt-revenue very much better than the Budget estimate of last year, it may be hoped with some confidence that the elasticity of this item of income will be helped by the stimulus to increased consumption, and the revised estimates at the end of the coming year will be as satisfactory as they have been in 1904-1905. The healthy expansion of the salt-revenue is still capable of considerable development.

"All the seven objects to which it has been decided to apply the surplus have been well and wisely chosen. The abolition of famine-cesses

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in certain provinces would be welcomed as a great relief, and the postal facility by which the weight of a letter has been raised from a half to three-quarters of a tola for a half-anna stamp will certainly be largely appreciated. With regard to the addition to permanent recurring expenditure attendant on giving effect to the recommendations of the Police Commission, it is particularly gratifying to find that Your Lordship's Government propose to begin at the right end, and provision has been first made for increasing the pay of the rank and file of the police force and sub-inspectors. The permanent grant to Provincial Governments for the expansion and improvement of primary education will also be approved throughout the country. The sum set apart for agricultural experiments, etc., is also a wise provision. The decision to make a large grant-in-aid of the funds of all District and Local Boards throughout India will doubtless be appreciated by Provincial Governments and the Boards concerned.

"The most satisfactory proof of financial prosperity is the fact that in spite of the heavy demands upon the revenue the Hon'ble the Finance Member has been able to estimate for a surplus. As has been shown, this surplus would have proved to be the largest on record but for the enormous expenditure necessitated by the scheme for the redistribution and reorganisation of the army. In this connection, I cannot help remarking that the whole cost of the Tibet Expedition has been charged to Indian revenue. As the matter is unquestionably of an imperial character, part of the cost, at all events, should have been borne by the British Treasury.

"I gratefully note that provision has been made for the relief of the distress now prevailing in the Madras Presidency; but I would venture to submit that it is inadequate to meet the demands of the situation.

"My Lord, it is unnecessary for me to take up the time of the Council with any lengthy remarks on this occasion, since we are agreed on the gratifying character of the Financial Statement and the wisdom therein displayed in regard to the financial policy of Your Lordship's Government."

The Hon'ble Mr. CABLE said:—"My Lord, I am glad to associate myself with the hearty congratulations which have been showered upon the Hon'ble Member on what cannot be regarded otherwise than as one of the most successful Budgets of recent years. To be able at one and the same time not only largely to diminish taxation, but also to increase expenditure on works of public utility is a feat of which any Finance Minister may well be proud. Yet that is what the Hon'ble Member has accomplished, and the fact of his being

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in a position to do so is a clear indication of the great and welcome change which has of late come over the financial situation of this country. For that change, we are, I think, very deeply indebted to the wise guidance of our finances and of the country generally during the last few years, supplemented by that wonderful power of recuperation which India seems always to possess. Surpluses may now be regarded as the rule rather than the exception; and their existence opens up before us a new set of problems perhaps no less difficult of solution than were those arising from deficits. It was, I believe, Sir Michael Hicks Beach who said that he always found it an easier task to impose a burden on the consumer than to relieve him by removing one. And although it seems almost ungracious to criticise the very evident efforts of the Government to distribute the surplus with a view not only to the alleviation of the burdens of the masses, but also to an improvement in their conditions of life, one is tempted to ask if Sir Michael Hicks Beach's remark is not applicable to the reduction of the salt-tax. I have often wondered if it really is a fact that the reduction does have the effect of lowering the prices paid by the poorest class of consumers. I am glad to have the views today of Nawab Saiyid Muhammad, but the information which I have been able to gather leaves me in doubt on the point, although of course I know that every reduction has been followed by a growth in consumption. But then taxes are only reduced when the country is prosperous; and it may be that the increased prosperity of the masses at that time is to a large extent responsible for their consuming more salt. Should there be any truth in this, and should it be a fact that the reduction benefits only the middleman, then it cannot be regarded otherwise than as a waste of revenue; for the middleman in this country is the very last person who requires to be, or who ought to be, assisted. And if that is the case, I must say that it would have been better to have applied that portion of the surplus to the strengthening of our reserves.

"I agree with previous speakers that the handsome grant made towards the development of agricultural research, demonstration and instruction, will be a source of considerable gratification to the public. So much has been said upon the subject of agriculture of late by those more competent to deal with it than I am, that it would be useless for me to take up the time of the Council by discussing it. But everyone will welcome the scheme outlined by the Hon'ble Member, for all are alive to the undoubted fact that in India agriculture is at present at all events the paramount issue. The postage reduction which the Hon'ble Member has made is a useful concession; and possibly in his next Budget he may be able to make it still more

useful by taking it a little further. The present is not perhaps an inappropriate occasion to enquire from the Hon'ble Member for Commerce and Industry if any progress is being made towards the introduction of the unified postage and revenue stamp. It would also be interesting to learn whether he contemplates any further reductions in telegraph rates.

"It is not my intention, my Lord, to refer to all the items to which the surplus has been devoted. But there are one or two other points in the Financial Statement upon which I should like to comment. There has been some discussion of late upon a proposal for the establishment by the State of a liquid gold reserve, apart from and in addition to the gold held in the currency reserve. The Hon'ble Member regards the proposal as one of academic interest only: with that I agree, and that being so, the present is obviously the right time to discuss it; for to delay its consideration until that stage is past might be to delay too long. We are not likely to be able to accumulate gold in times of crisis. That is my excuse for bringing the question to the notice of the Hon'ble Member; and it must also be remembered that the investment of public funds is always a matter of public concern. We may have, as he rightly points out, ample gold, in the ten millions of the currency reserve, to give security against any ordinary commercial crisis. But the object of holding a portion of the special Gold Reserve Fund in gold would be something beyond merely the maintenance of the balance of trade, important though that may be. The point I wish to drive home is that at times of international complication and crisis, the possession by India of a stock of gold bullion would be a great bulwark of safety. It would obviate the possible necessity of our being forced to sell securities just at that particular time when those securities might be very greatly depreciated in value. Gold, on the other hand, always appreciates in value at such times. We know that the gold reserve held by the Bank of England is generally recognized to be lower than it ought to be; and there is a feeling that the British Empire is attempting too much all over the world on an insufficient stock of gold. Moreover, Great Britain has now entered into an alliance with another Power, and thus runs a greater risk of becoming involved in international complications. There is consequently a greater chance of the occurrence of periods when the realisation of Consols at profitable rates will be difficult. The present is not, I know, a very opportune time to quote the example of Russia in financial matters. But if I may judge from a somewhat remarkable article in one of the monthly reviews, it would certainly appear that Russia's financial system would long since have tumbled down, but for the unbounded faith of Continental bankers and financiers in her enormous gold cash reserve. The political and financial effect of that great aggregation of gold has been, we are told,

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miraculous. Far be it from me to suggest that India should ever attempt to go the length to which Russia has gone in hoarding gold. But the lesson of Russia teaches us that the advantages of a large bullion holding, legitimately accumulated, are incalculable. I agree entirely with the Hon'ble Member that the question is not one of urgency. But it is eminently worthy of consideration. Let me put the following concrete proposal to the Hon'ble Member, and invite his criticism on it, namely, that one-half of any surplus over ten millions in the Special Gold Reserve should be held in approved securities, perhaps other than British, and the other half in gold bullion.

"Turning to the rupee debt, it is, as the Hon'ble Member remarks, by no means a matter of regret that rupee paper is being gradually retransferred from England to India. On the contrary, it is an advantage that the people of this country should be large and increasing investors in Government loans. But should it be decided again to attempt to induce the London Stock Exchange to give quotations for pieces of Rs. 1,500—which is now the equivalent of £100—I believe that if the Hon'ble Member were to invite the co-operation of the Exchange Banks, who are the principal operators, they might be able to give him substantial aid.

"The decision of the Government to maintain in India a reserve of silver bullion sufficient to keep the mints occupied for about a month will give general satisfaction; as will also the announcement that it is not intended at present to interfere with the rules, issued in 1899, regarding the treatment of light weight rupees.

"My Lord, I feel that as the mercantile representative on this Council I cannot allow the present occasion to pass without expressing the satisfaction, with which the commercial community throughout India have witnessed the establishment of the new Department of Commerce and Industry. We rejoice to think that the commercial interests of this country are now to be encouraged and developed by a new and vigorous branch of the Government under the able guidance and control of the Hon'ble Mr. Hewett. At the same time we are not unmindful of the signal services which have been rendered to Indian commerce in the past by the Department in whose charge commercial matters have hitherto rested. And I am sure that the whole mercantile community would wish me to take this opportunity of placing on record their high appreciation of the value of those services. For the change which has been made had, I think, become of vital importance, not so much because of the shortcomings of the old system, but because of the increasing importance and growing complexity of

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our industrial and commercial problems. This new and significant departure, in advance, as Your Excellency lately reminded us, of the United Kingdom, may, I trust, be regarded as an indication that the present Government are keenly alive to the urgent need for co-operation between the State and the people in the development of the resources of the Indian Empire. We should never forget that our Indian industries have to face the sharpest competition from the West. Great Britain is perhaps, of all our competitors, the most to be feared. Her highly perfected industrial facilities, her abundant supply of cheap capital, and her mercantile fleets ready to distribute her goods throughout the world at almost nominal rates of freight, give her a virtual monopoly against which Indian private enterprise may strive in vain. We know the measures which foreign countries have adopted to defend their home industries against the power of that monopoly. I have no intention of even hinting that India should seek to follow the example of those nations, but I do think that it is the imperative duty of the Government to give every possible assistance, short of positive protection, to our nascent Indian industries. Much could no doubt be done by experiments under State control, and by making public, not only the results of such experiments, but also the prospects of any new industries which they may show to be possible. Other methods of affording State aid, suited to special cases, might also be devised; and much may, I believe, be learned from the example of Canada in this respect. At all events, every legitimate means should be taken by the new Department to encourage and promote the great interests committed to its charge. For the stress of competition and the growing complexity of industrial life have rendered inevitable the intrusion of the State in spheres of work wherein it formerly took no part.

“My Lord, it is, I think, unquestionable that the most important organisation connected with the new Department is the Railway Board; and the public, as the Hon'ble Maharaja of Darbhanga has already said, are looking forward with a considerable degree of interest to a pronouncement by the Board of its policy, particularly as regards the basis or scheme upon which improvements in and extensions of railway communications should be carried out in the future. It will be, I imagine, among the functions of the Railway Board to overcome such difficulties as are constantly occurring on the East Indian Railway in regard to the coal traffic; and to provide against anomalies such as that which has just been removed by an agreement between the East Indian and the Bengal-Nagpur Railways. But their first duty in order of importance will be, I trust, the sympathetic adjustment of railway rates. About twelve months ago at the annual meeting of our Chamber of Commerce I hazarded the opinion that the time was not far distant when, in calculating Indian railway rates, we should have to bear in

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mind the cost of transportation in countries competing with us in the world's markets. I am glad to notice that this view is confirmed by Mr. Neville Priestley in his able and exhaustive report on American railways. Indeed, Mr. Priestley goes further, and connects the violent fluctuations in the Indian wheat trade with the fact that the grain rates from Delhi to the seaboard have remained unaltered for the last fifteen years. And one is tempted to enquire in passing to what extent the cast iron rule of maxima and minima mileage rates is responsible for this peculiar state of affairs. Mr. Priestley makes another assertion, with which I am also disposed to agree, *viz.*, that the present prosperity of the United States is to no small extent due to the low rates charged for transportation. This prosperity has, he says, reflected itself in an enhancement of wages all round which, in its turn, has increased consumption and consequently production. We have it also on Mr. Priestley's authority that judged as a whole, railway rates for goods traffic are lower in America than in any other country in the world, India not excepted; and this, notwithstanding the fact that American railways are weighted down by their enormous debenture and similar stock, upon which high rates of interest have to be paid. There can be no doubt therefore that there is a very considerable margin for reduction in India, especially in view of the fact that last year the net cash profits made by our railways aggregated £2,254,500.

“My Lord, it seems to me that the time has come when we must decide to adopt a more definite railway policy than we have hitherto followed. Either our terms must be sufficiently liberal to attract capital for the construction of new lines; or the Government must itself be prepared to undertake the gigantic task of themselves making and working the railways of India. Public opinion will be always divided, I suppose, upon the question of whether railway communication should be entrusted to the State or to private enterprise. It is needless for me to repeat in this place the advantages and disadvantages attaching to either method. Though for myself I willingly admit that there is much to be said in favour of State railways in a country such as India. But if the construction and working of railways by the State be adopted as a definite policy, it should be understood that rates of freight will be sufficiently low to ensure the fullest development of the resources of the country; and that all necessary new lines will be promptly undertaken. To my mind the progress of the country depends very largely upon its transport facilities; and if the Government undertake the entire responsibility of the country's railways, they should not hesitate to borrow largely in order to ensure that those facilities do not lag behind requirements. I have already said that the net cash profits for the year are estimated at £2½

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millions. That very large surplus remains, it must be observed, after every item which can possibly be charged against the account has been deducted. Among the deducted items are included the annuity charges for the purchase of the old guaranteed lines, amounting to the large sum of £3,013,000. The payment of those charges from profits is another instance of that policy the wisdom of which I ventured to question in my speech on last year's Budget. I mean the policy of debiting capital expenditure to revenue. The Egyptian Government are, I know, aiding the development of Egypt by the same method. But, as Lord Cromer remarks in his Report for 1903, it is open to the objection that the present generation of taxpayers is bearing the burden of remunerative expenditure, a portion of which might be legitimately borne by posterity. Persistence in the policy seems to me to argue a certain want of faith in the continuance of the prosperity of India; and besides, my Lord, I do not see why we should liquidate the just liabilities of posterity. The profits made by our railways should not, I maintain, be disposed of in this way. One of the pernicious results of such a treatment of accounts is that the apparent profits on our Railways are much less than the real profits. Consequently, Indian railways do not appear, in the eyes of the English capitalist, to be so attractive an investment as in reality they are; which is of course unfortunate at a time when we are trying to induce British capital to flow in this direction. Nor should the profits be regarded as being in the same category as the proceeds of taxation of the country. They should rather be looked upon first of all as collateral security against loans for the construction of new lines. As an instance of what I mean, I would point out that the net receipts for the current year after debiting all legitimate interest chargeable are estimated at practically £5 millions in round figures. That amount capitalised roughly represents at least £125 millions. It must not be supposed that I am suggesting that an attempt should be made to borrow such an enormous sum at once, but I cannot help comparing it with the dole of £8½ millions which has been granted towards railway construction during the coming year. More liberal expenditure on improving open lines should also be one of the primary charges against the net receipts. I have already mentioned rates, and it may be objected that while I am proposing to borrow against profits, I am at the same time proposing to diminish profits by lowering the tariffs. My answer is that what has occurred in America would certainly take place here also. The railway revenue would tend to expand rather than to contract, because the increase in the volume of traffic would more than counterbalance the reduction in rates, leaving out of all consideration the enormous impetus to trade and the resulting general

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prosperity, and I rejoice to hear from my Hon'ble friend the Maharaja of Darbhanga that Indian capital may be expected to take its share in these much-needed railway developments.

"With regard to His Highness's remarks on the subject of a new bridge, I would support him in his remarks, and upon other grounds, for I would point out that we are now dependent upon one bridge only for the transport of the great bulk of our traffic from the West. The result of a serious accident to that one bridge would have an appalling effect upon the trade of the port.

"In the fiscal controversy now in progress at home we observe an increasing number of references to this country. But we look in vain for any practical suggestions under which India could join in the proposed new departure. On the contrary, it is becoming increasingly evident that the policy so clearly and firmly enunciated in Your Excellency's despatch of 22nd October 1903 is the right policy for this country to adopt, namely, full liberty for India to trade with the whole world upon such terms as may suit her best, and to develop her industrial resources unfettered by engagements with other countries. Our maxim should be to sell all we can, and to buy only what we must. I cannot leave the fiscal question without making a few remarks upon the excessive import-duty now levied upon tea in the United Kingdom, although the subject has been so exhaustively discussed of late that it is difficult to say anything new regarding it. But we may, I think, derive some satisfaction from knowing that the Secretary of State now realises that part of the duty is paid by the producer. There is not much doubt on the point, seeing that when the duty stood at 6*d.* per lb., consumption fluctuated between 6·16 lbs. and 6·03 lbs. per head; and that when it was raised to 8*d.*, consumption dropped to 5·99 lbs. per head and wholesale prices also fell. Perhaps other causes helped to bring about this result. But we are, I consider, amply justified in concluding that the eight-penny duty was one of the main causes. And we may go further and say with confidence that by the operation of the duty the whole province of Assam, including the very large number of labourers employed on the tea estates, has been prejudicially affected. The tax, falling as it admittedly does upon producers, presents a curious spectacle. For while the Government of India have abstained from levying income-tax on the tea industry because it is an agricultural pursuit, the Imperial Government are actually taxing the producer here for their own purposes. I have been much struck by some figures which I have obtained recently in this connection. During the months May to October last year, the duty payments on tea imported into the United Kingdom amounted to 3,67 lakhs of rupees. And as the imports during the other half of the season are generally

heavier, I may safely assume that the total duty payments for the twelve months will considerably exceed 7 crores. Now during the financial year 1903-04 France, Germany, Italy and the United States levied, in the way of customs-duties, upon the whole of our exports to them, not more than 3.83 lakhs of rupees; these figures do not include reshipments from the United Kingdom to the Continent, but these will not materially affect the position. It is therefore evident that on one of our commodities England levies from us practically double the amount taken by those four great protectionist countries on our whole export trade with them. This is, I think, a somewhat remarkable fact, which would seem to indicate that, in fiscal matters at any rate, the foreigner is, to put it mildly, quite as good a friend to us as is the mother country. The foregoing considerations have a certain bearing upon the Fiscal Question, and of our relations towards foreign countries in that regard.

"At the Bengal Chamber of Commerce dinner, which Your Excellency honoured with your presence two years ago, you said, with reference to finance, that 'Other channels of investment outside India are being filled up, and a time must soon come when the current of British capital, extruded from the banks between which it has long been content to meander, will want to pour over into fresh channels, and will, by the law of economic gravitation, find its way to India.' At that time the development of Egypt was proceeding apace, and Your Excellency's prediction that the stream of British capital would soon overflow into other countries appeared to be a somewhat bold prophecy. But we now see that the condition of affairs in both South Africa and Egypt is assuming, although perhaps slowly, the aspect which Your Excellency then foreshadowed. In Egypt the conclusion of a friendly arrangement with France, while it has promoted public confidence, has also set free the resources of the Government for the execution of large public works which had been previously carried out by private capital. The development of lower Egypt by irrigation is nearing completion. And further development in the direction of irrigation and land cultivation must now take place chiefly in the Soudan, where prospects are not so favourable and where labour is distinctly deficient, so deficient in fact that a suggestion has been seriously put forward for the importation of negroes from the United States. There is still a large opening in Egypt for investment, companies, banks, and other commercial ventures; but the development of the soil, to which British capital has been chiefly applied, no longer presents the same large and promising field. Indeed, we have it on the authority of Lord Cromer that, although Egypt is a country of 'very great natural resources, nature appears to have imposed a limit—which it is conceivable

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may be attained at no very distant future—to the possibilities of its development.' It is indisputable that South Africa no longer offers the same remunerative openings for capital which it presented a few years back. The scarcity of labour there has become an obstacle to further rapid development; and in this respect both Egypt and South Africa seem to be alike. The labour difficulty is beginning to retard rapid development; for I think, my Lord, that when a country suffers from a scarcity of indigenous labour, the flow of capital into that country must of necessity tend (although perhaps gradually) to dwindle. Whatever our labour troubles in India may be, we have an ample supply of labourers in the country. As regards labour, we are not therefore, and shall never be, in the position of the countries which I have named. The point which I wish to make, my Lord, is that we ought to take advantage of the present favourable opportunity to divert the flow of British capital into Indian channels by the inauguration of an era of greater liberality towards capitalists. Not only will our prosperity be promoted thereby, but the investment of large sums of British capital in this country will induce the British public to take a wider and a more intelligent interest in Indian affairs than they at present seem disposed to evince. That they will be amply repaid by such investments, and that India will also benefit by such a policy, may be confidently predicted."

The Hon'ble MR. GOKHALE said :—" My Lord, it is with sincere pleasure that I offer my warm congratulations to the Hon'ble Mr. Baker on the Financial Statement, which he has laid before the Council. The Statement is remarkable alike for its grasp of principle and its mastery of detail, and for lucidity of exposition it will take rank with the best Statements that have ever been presented to this Council. Indian finance is at present passing through a new phase, and judging from the Statement before us, we may well anticipate that the Hon'ble Member's tenure of office as Finance Minister will be an eventful one. My Lord, there is but one feeling throughout the country—and it is a feeling of deep and unalloyed satisfaction—as to the manner in which the Government of India have decided to apply about $3\frac{3}{4}$ crores of the excess of their revenue over expenditure to measures of remission of taxation, administrative improvement, and the general well-being of the people. I heartily welcome the further reduction of the salt-duty by eight annas a maund. The duty now stands, as the Hon'ble Member rightly claims, at a lower rate than it has ever done during the last quarter of a century. In urging this measure of relief last year, I had ventured to observe:—'The salt-duty was reduced by eight annas last year, and the measure of relief was received with deep gratitude throughout the country. The reduction might, however, be carried still

further without any inconvenience. The salt-duty question in India is essentially a poor man's question; for it is the poorer many—and not the richer few—who eat more salt when it is cheap, and less when it is dear. The soundest policy in the matter—even financially—would, therefore, seem to be to raise an expanding revenue on an expanding consumption under a diminishing scale of duties.' The only reply, which was then vouchsafed to my appeal by our late Finance Minister, Sir Edward Law, was the remark that I was 'one of the multitude who stand at the door of the Treasury and always cry, "give, give"! I rejoice, therefore, to find that in less than a year the Government have seen their way to effect this reduction, and I am confident that a rapid increase in consumption will follow, wiping out, before long, the loss that has been caused to the Exchequer and demonstrating at the same time the wisdom of the course adopted by Government. Two years ago, when the duty was lowered from Rs. 2-8 to Rs. 2 a maund, fears were expressed in certain quarters that the benefit of the reduction might not, after all, reach the poorer classes, being intercepted on the way by small traders. Many of us thought at the time that the fears were quite groundless, and I am glad to see that they have been most effectively disposed of by the remarkable increase in consumption that has since taken place. That there is still a very large margin for increased consumption is evidenced by the fact that in Burma, where the duty is only one rupee a maund, the average consumption of salt is 17 lbs. per head, as against about 10 lbs. in India proper, where the duty has been Rs. 2 a maund for the last two years and Rs. 2-8 before that. Even with the present reduction, the impost amounts to about 1600 per cent. of the cost price, as it takes only about an anna and a half to manufacture a maund of salt, and it is clear that this is a very heavy tax on a prime necessary of life, which, as Professor Fawcett once said, should really be 'as free as the air we breathe and the water we drink.' And I earnestly trust that the Government will take another opportunity to carry this relief still further, especially as a low salt-duty means a valuable financial reserve at the disposal of Government, and there is now no doubt that the relief accorded directly benefits the poorest classes of the community. The abolition of famine cesses will be hailed with satisfaction by the people of the provinces concerned, and it redresses one of the anomalies of the Famine Insurance Grant. The raising of the weight, which the Post Office carries for half an anna, from one-half to three-fourths of a tola, will be widely appreciated,* and the definite declaration of policy, with which this concession is accompanied, *viz.*, that it is not the desire of Government to treat the Post Office as a source of revenue, practically ensures that all excess of receipts over expenditure will in future be devoted to the

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further improvement, or cheapening of postal facilities. Now that the letter-weight carried for half an anna is exactly half of what is carried for one anna, I hope a half-anna stamp will be made the unit for weights exceeding $1\frac{1}{2}$ tolas, instead of the one-anna stamp. The allotment of a sum of 50 lakhs to Police reform to improve and strengthen the lower grades of the service is a welcome measure of far-reaching importance and is unaffected by whatever differences of opinion there might exist about the recruitment of the higher grades. The addition of a rupee to a constable's salary may not make in individual cases any difference as regards his honesty or efficiency, but taken in the mass, the increment is bound to be reflected in an improved standard of work, and in any case the measure is a long-deferred beginning of an absolutely necessary reform. The grant of 35 lakhs to Provincial Governments for additional expenditure on Primary Education is also an important step in the right direction, the field of mass education being one, in which what has been already done is but little, as has been admitted by the Government of India in their Resolution of last year on the subject, compared with what remains to be done. The grant of 20 lakhs for agricultural research, experiment and instruction, and the announcement that the ultimate aim of Government in this matter is 'the establishment of an experimental farm in each large tract of country, of which the agricultural conditions are approximately homogeneous, to be supplemented by numerous demonstration farms, the creation of an agricultural college teaching up to a three years' course in each of the larger provinces, and the provision of an expert staff in connection with these colleges for purposes of research as well as education,' indicate that the Government at last have made up their mind to recognize in a practical manner the supreme importance of scientific agriculture in this land. Twenty lakhs a year for such a purpose for the whole of India is, of course, totally inadequate, but it is a good beginning, and the Government have undertaken to find steadily increasing funds till the whole programme is properly carried out. The last measure, to which a part of the surplus is proposed to be devoted, is a grant-in-aid of the funds of District and Local Boards throughout India, amounting in all to about 56½ lakhs a year and equal approximately to one-fourth of the income of these Boards. This, to my mind, is one of the most interesting features of this year's Budget, and it is a feature on which I offer my heartiest congratulations to the Hon'ble Member. It means a frank acknowledgment of the claim of Local Bodies to participate in the financial prosperity of the Government of India and a recognition of the fact that without the aid of Government the resources of these bodies are utterly unequal to the proper discharge of the various duties laid on them. The last National

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Congress, which met in Bombay, had urged such assistance to Municipal and Local Boards, and I rejoice to find that Government have responded, at least partially, to the appeal. Successive visitations of famine and plague have in many places so far crippled the finances of these Boards that they have had the greatest difficulty in averting a complete breakdown, and it was a serious reproach to existing arrangements that while there was such a plethora of money in the Government of India's Treasury, and even Provincial Governments were not able to exhaust all the grants made to them, these Local Bodies, whose work concerns the health and comfort of the public far more intimately than that of either the Supreme or the Provincial Governments, should continue year after year in a state almost verging on bankruptcy and should be unable to discharge satisfactorily even their most elementary duties ! Government have now come forward to assist in a liberal spirit the District and Local Boards, and the assistance will evoke the sincere gratitude of these Boards. The Municipal Bodies have for the present been left out in the cold, but the principle of admitting Local Bodies to a share in the financial prosperity of Government having once been accepted, I venture to think that assistance, similar to what has now been offered to District and Local Boards, cannot reasonably be withheld from Municipalities, whose difficulties are not less serious and whose duties are even more onerous than those of the Boards.

" My Lord, the revised estimates for the current year shew a surplus of $5\frac{1}{4}$ crores. This surplus has been obtained after making a special grant of one crore to the Governments of Bombay and the Punjab. So the real surplus for 1904-05 must be set down at $6\frac{1}{4}$ crores. This is the seventh successive year, in which such a large surplus has been realized by the Government of India, and though advantage has been taken of it to remit taxation to the extent of about two crores of rupees and to apply about $1\frac{3}{4}$ crores to most excellent objects, the whole financial position is still so extraordinary that it calls for a brief review. The surpluses realized by the Government of India during the last seven years amount in all to about $32\frac{1}{2}$ crores of rupees, and they do not include the special grants made to the various Provincial Governments and Administrations from time to time. In addition to this, a sum of about $12\frac{1}{2}$ crores has been earned by the Government of India during the last five years, as profit on the coinage of rupees, owing to the difference between the bullion value of silver and the token value of the rupee, and it has been set apart to form a Gold Reserve Fund. This gives us a clear excess of 45 crores of revenue over expenditure during the last seven years. Moreover, during this period, extraordinary charges, amounting to about 16 crores, for famine relief and for military purposes, have been met out of revenue. Further,

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about 2 crores have been spent out of revenue on Railways and Irrigation Works under Famine Insurance, under which head also a sum of $3\frac{3}{4}$ crores has been devoted to the reduction or avoidance of debt. Even if we leave out of account the extraordinary charges met out of revenue and the sum spent on Railways and Irrigation under Famine Insurance, as money already spent, we still have a total of about 49 crores of rupees to represent the excess amount taken by Government from the people in seven years over and above the requirements of the administration. Twelve and a half crores out of this has been set aside, as has been already mentioned, to form a Gold Reserve Fund, and the remaining, about $36\frac{1}{2}$ crores, has been devoted to the repayment or avoidance of debt, as may be seen from the fact that during this period Government have discharged £5,000,000 net of temporary debt, and have spent $48\frac{1}{2}$ millions on Railways and Irrigation works, though they have borrowed only $21\frac{3}{4}$ millions, the difference being found from Cash Balances, of which the surpluses form a part. Moreover, as an inevitable result of such plethora of money at the disposal of Government, public expenditure has increased in all directions—and notably under Army services—on an unprecedented scale. The following figures for the last four years show at a glance how rapid has been the growth of public burdens and what is the position that has now been reached. In these figures, I have taken the revenue under Post, Telegraphs, Railways and Irrigation net. This, I submit, is the only way of presenting a correct idea of our revenue and expenditure, as the receipts under these heads are for services rendered and are balanced on the other side by corresponding expenses which virtually absorb the receipts. Unless, therefore, we take these figures net, we get an altogether erroneous idea of our real revenue and expenditure. I have also taken the revenue under Mint net, because, for the present at all events, the profit earned has to go to the Gold Reserve Fund and is therefore not available for general purposes.

“ Revenue and Expenditure for four years 1901-02—1904-05.

		(In millions sterling.)			
		1901-02.	1902-03.	1903-04.	1904-05 (Revised).
Revenue	. . .	51·91	52·27	55·27	57·59
Expenditure	. . .	46·96	49·21	52·28	54·11
Surplus	. . .	<u>4·95</u>	<u>3·06</u>	<u>2·99</u>	<u>3·48</u>

“ Coming to particular heads of expenditure, we find that the charge under Interest has actually gone down owing to a reduction of the ordinary debt. And the expenditure under Miscellaneous Civil charges, as also under Famine

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Relief and Insurance, has remained virtually stationary. Under the remaining heads, there has been a large and steady increase, as may be seen from the following figures:—

	(In millions sterling.)				
	1901-02.	1902-03.	1903-04.	1904-05 (Revised).	Increase.
Collection charges under Principal Heads of Revenue.	6'19	6'35	7'16	7'17	nearly 1 million.
Salaries and expenses of Civil Departments.	11'15	11'69	11'98	12'35	1' 2 "
Civil Works	3'67	4'15	4'60	4'82	1'15 "
Army Services, including Military Works and Special Defence Works.	16'73	18'44	18'93	21'45	4'72 "

" I have taken 1901-02 as starting year for the comparison, because 1900-01 was a famine year, and before that, Government could not have felt sure of a large annual surplus. It will be seen that our expenditure has grown in four years by more than 7 millions sterling or about $10\frac{3}{4}$ crores, and of this, the Army Services have absorbed quite two-thirds, *i.e.*, $4\frac{3}{4}$ millions or over 7 crores. Again, while the revenue under the principal heads has risen during this period from £46'60 millions to £50'38 millions or slightly over 8 per cent., the charges of collecting it have grown from £6'19 millions to £7'17 millions or by about 16 per cent.

" Thus after allowing the expenditure to increase in all directions on an unprecedented scale, after making large special grants to Provincial Governments from time to time, after spending nearly 16 crores out of current revenues for non-recurring charges, and after laying by about $12\frac{1}{2}$ crores for purposes of the Gold Reserve Fund, the Government have still been able to devote a sum of about $36\frac{1}{2}$ crores in seven years, or a little over 5 crores a year on an average, to the reduction or avoidance of debt! I submit, my Lord, that such a system of finance is unsound in theory and indefensible in practice, for it involves grievous injustice to the present generation. I can understand the Government always insisting on a moderate working surplus in framing their Budget Estimates and providing for the year's recurring charges out of the year's revenues. This was what they have uniformly done—even during the worst days of the exchange difficulty. But having done that, I venture to think they have no right to maintain taxation at a higher level than is necessary or to devote the resulting surpluses to the reduction of debt, as they have been doing. In all countries, it is an accepted canon of finance that the weight of public burdens should be kept as light as

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possible, and that the scheme of taxation should be so fixed and adjusted as to meet, but no more than meet, public requirements under normal conditions. If this is so in rich European countries, it should be much more so in India, where the revenue is raised from a poor, helpless population, and the larger part is contributed by a broken and exhausted peasantry, and where, owing to the special circumstances of the case, the character of public expenditure is such that a great portion of it has to be spent on objects unconnected or but remotely connected with the moral and material advancement of the people. Moreover, the ordinary debt of India—as distinct from the public works debt, which is fully covered by valuable assets—is not large, and there is no justification for being in such a hurry to reduce it. The utmost that the Government might do in the matter is to provide for a small sinking fund, say, about a million sterling a year; but beyond this, it is indefensible to go, especially as, in the absence of a reduction of taxation, there are so many ways, all intimately connected with the well-being of the people, in which the surplus revenue could be spent.

“This brings me to the scheme of Army re-organization and the provision of 3 crores 66 lakhs that has been made for it in the next year’s Budget. The scheme is one of vast magnitude, and it is claimed that it will be of lasting benefit. No lay criticism of its technical aspects can, of course, be of any value, though even laymen cannot help noting that expert opinion is not quite unanimous in regard to it. Thus we find Colonel St. J. M. Fancourt, C.B., writing to the *Madras Mail* to urge that enlarged camps of exercise will serve the purpose as well as the proposed concentration camps and will be much less costly and will offer fewer administrative difficulties; that the training under the climatic conditions of the country, especially the summer heat, cannot be carried on the whole year round, which reduces the value of a permanent location of troops in large concentration camps; and that for the annual seasons of drill, troops can be moved and massed wherever desirable, the expanding Railway system affording increasing facilities for such movements. Laymen also cannot help thinking that in the very nature of things, there can be no finality in such plans of distribution of armed forces. The period is a period of mighty changes and the world’s affairs are passing through a new phase. The rise of Japan, as one of the first Powers in the world, is a new factor in international politics and of vast significance. New and unexpected combinations may arise, and the danger-zones and danger-points may not remain as they at present are—for ever and ever. However, the towering personality of His Excellency the Commander-in-Chief must silence all objections to the scheme, of which he is the author, and the required money—15 crores of rupees—has to be found to carry it out. The Government have announced

their intention to meet the whole charge from current revenues, and they have already provided in the next year's Budget a sum of 3 crores 66 lakhs for the purpose as a first instalment, committing themselves at the same time to devote similarly 3 crores every year, till the whole programme is completed. My Lord, I beg leave to protest most earnestly against this decision of the Government of India. The charge is heavy and non-recurrent and, on the analogy of English and Continental practice in similar cases, ought to be met out of loan funds. It is most unjust to the tax-payers to provide for it out of current revenues by yearly allotments and thus keep up the high level of taxation for an indefinite period. In other countries such charges are, as a rule, met out of borrowed money. In England, just at this moment, there are the Naval and Military Works Bills before the House of Commons, under which it is proposed to carry out these works out of loans. And in defending such action, the Chancellor of the Exchequer pointed out the other day—on the 1st instant—that 'if the objects for which those measures provided were paid out of the estimates, there would be a disturbance of our system of taxation.' My Lord, it is true that the people of India have no constitutional power, as the people in England have, to control or in other ways influence the administration of their finances by Government. But for that very reason, a solemn moral responsibility rests on the Government here not to ignore considerations that are accepted as conclusive in England: The present decision of Government, so unjust to the tax-payers, leaves room for legitimate complaint, especially when it is remembered that we have devoted no less a sum than 36½ crores of rupees out of current revenues towards the reduction of debt during the last seven years, and that an addition of fifteen crores will still leave it 21 crores lower than it was in 1898.

"My Lord, I have already referred briefly to the alarming growth that has taken place in the military expenditure of the country in recent years. The military problem is the most dominant factor in the general position of the country's finances, overshadowing every other. National safety is, of course, the first and most paramount consideration in a country's administration. But no people can bear indefinite and ever-increasing burdens—practically without limit, and absorbing the greater part of every financial improvement—even in the name of such safety. I have on previous occasions spoken more than once on this subject at some length in this Council, and I do not therefore propose to say much today. Last year the Hon'ble Sir Edmond Elles, in his reply to some of my observations, told the Council that I had criticized measures, about which my knowledge was infinitesimal. The remark was somewhat superfluous, seeing that in my speech I had taken care not to say one word about any

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technical matters. The Hon'ble Member then went on to cite the instance of Japan and ask what would have been her fate, if her future had been guided by statesmen holding the views of my Hon'ble friend Mr. Sri Ram and myself. I do not think the reference to Japan was quite a tactful thing. For Japan's destinies are guided by her own sons, whose one thought and aspiration is the greater glory of their country, furthering by every means in their power the moral and material advancement of their people. Is the Hon'ble Member prepared to adopt Japan as a model for all branches of the country's administration? If so, let him induce his colleagues in the Government to treat the people of India as the Japanese Government treats the people of Japan in matters of education, of industrial development, of military and naval service, of appointment to high and responsible office, and I, on my part, humble as I am, undertake to see that no Indian publicist raises any objection to such military expenditure as the Hon'ble Member thinks it necessary to incur. My Lord, on technical aspects of military questions, the opinion of laymen is of course of but little value. But, as the *Englishman* pointed out the other day, 'there is a stage when considerations of military defence emerge out of the plane which has always been tacitly reserved for professional soldiers.....The larger problems involving the expenditure of large sums of money and the dispositions of troops in relation to possible enemies, are clearly not to be decided on the fiat of military men. These matters affect the State as a whole and as such must be looked at from the civil as well as the military point of view.' Our military expenditure has nearly doubled itself during the last twenty years, having risen from 17·9 crores in 1884-85 to 32·6 crores in 1905-06. It now exceeds the entire land-revenue of the country and no one can say where it will stop, or if it will stop anywhere at all. It is now said that India is the strategic frontier of the British Empire. If so, the defence of such frontier is clearly an Imperial responsibility and India ought to be relieved of part of her present military burdens. For the last twenty years, the fears of a Russian invasion have dominated the situation and dictated the scale of our military expenditure. Russia now lies prostrate and bleeding—her prestige shattered beyond hope—a standing menace to the peace of Asia gone. May we not now hope for a little respite in this piling up of ceaseless military burdens on our shoulders! The limits of military expenditure were thus laid down by Lord Mayo's Government in 1871 :—'We cannot,' they wrote, 'think that it is right to compel the people of this country to contribute one farthing more to military expenditure than the safety and defence of the country absolutely demand.' The Army Commission of 1879 thus defined the functions of the Indian Army :—'The purposes for which the Army of India must be maintained may be stated

to be—(a) preventing and repelling attacks or threatened aggressions from foreign enemies beyond our border; (b) making successful armed disturbance or rebellion, whether in British India or in Feudatory States, impossible; and (c) watching and over-awing the armies of feudatory Native States.' This conception of India's position and responsibilities, however, is no longer thought to be sufficient. Thus last year the Hon'ble Sir Edmond Elles, after asking the question 'Are we to be content to hide ourselves behind our mountain barriers under the foolish impression that we should be safe, whilst the absorption of Asiatic kingdoms is steadily in progress?' observed as follows:—'It is, I think, undoubted that the Indian Army in the future must be a main factor in the maintenance of the balance of power in Asia; it is impossible to regard it any longer as a local militia for purely local defence and maintenance of order. And Your Lordship, referring to the same point, said:—'I spoke last year about the increasing range of our responsibilities in Asia; and a good deal has happened in the interim to point those remarks. My own view of India's position is this. She is like a fortress with the vast moat of the sea on two of her faces and with mountains for her walls on the remainder. But beyond those walls, which are sometimes of by no means insuperable height and admit of being easily penetrated, extends a glacis of varying breadth and dimensions. We do not want to occupy it, but we also cannot afford to see it occupied by our foes. We are quite content to let it remain in the hands of our allies and friends; but if rival and unfriendly influences creep up to it and lodge themselves right under our walls, we are compelled to intervene, because a danger would thereby grow up that might one day menace our security. This is the secret of the whole position in Arabia, Persia, Afghanistan, Tibet, and as far eastwards as Siam. . . . And the whole of our policy during the past five years has been directed towards maintaining our predominant influence and to preventing the expansion of hostile agencies on this area which I have described.' This new and Imperial definition of India's position and responsibilities is bound to stagger the people of this country, for it means that India's resources are to be unhesitatingly used for engaging in a race with European Powers to absorb Asiatic Kingdoms! Now, apart from the ethics of such absorption, I submit that if England's dominion in the East must be thus extended in all directions on the mere suspicion that a rival is creeping up towards the frontiers of India, the Imperial Government in England and not the poor people of India ought to find the money for the purpose. The maintenance of the balance of power in Asia is a matter of Imperial concern; and for the Government of India to accept that responsibility is to impose upon this country a military duty and a financial obligation, to which she is utterly unequal and which, moreover, it is unjust to throw on her.

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“My Lord, I have complained above of the system of finance that has been maintained in this country for the last seven years. That complaint, however, must not be understood to apply to the present Financial Statement, which indeed has to a large extent broken from the old tradition and taken an important step forward in the right direction. With the single exception of the provision made out of current revenues for Army reorganization, the budgetary dispositions appear to me to be both liberal and statesmanlike. Speaking further for Bombay, I gladly acknowledge the liberal character of the new Provincial Settlement. I rejoice also that the Hon'ble Member has put an end to the era of systematic underestimating of revenue and overestimating of expenditure. More than once had I complained of this practice in this Council, as unfairly prejudicing the chances of the tax-payer in the matter of remission of taxation. Last year, for instance, I had said :—‘In the twelve years of storm and stress (*i.e.*, from 1885—1896) it was perhaps necessary for the Finance Minister to act on the safe, if somewhat over-cautious, plan of underestimating the revenue and overestimating the expenditure. But though the difficulties of the position have passed away, the tradition, once established, still holds the field.’ And this only drew on me a sharp remonstrance from Sir Edward Law. It was therefore with a certain amount of legitimate satisfaction that I found the Hon'ble Member virtually admitting the correctness of my contention and admitting it very nearly in my own words. ‘So long,’ he has observed, ‘as all growth of revenue and the fruits of all retrenchment were liable to be swallowed up by a fall in exchange, it was common prudence to frame the estimates in the most cautious manner, and to take no credit for developments of revenues until they were absolutely assured. When this factor was eliminated, the traditions of excessive caution remained and due allowance was not always made in the estimates for the normal expansion of the growing heads of revenue.’ My Lord, the financial position of the Government now is one of exceptional strength. Taking the Budget Estimates for next year, we find that after providing 3 crores 66 lakhs for an extraordinary charge, which ought to be met out of borrowings, we still have a surplus of 1 crore 36 lakhs. This means an excess of 5 crores of revenue over expenditure. Then the profits from coinage have averaged about $2\frac{1}{2}$ crores a year during the last five years and they are bound to increase as trade expands. These profits will be available for general purposes in a year or so, as the Gold Reserve Fund already stands at $8\frac{1}{2}$ millions sterling, and as Your Lordship stated last year, when it reaches 10 millions sterling, it ‘will be sufficient for our purpose and will give us a permanent guarantee for stability of exchange.’ Then Railway finance has entered on a new phase. After causing a net loss year after year

for half a century—from 1849—aggregating in all to sixty crores of rupees, our system of Railways has now commenced to bring in a profit to the State, and there is every reason to believe that this profit will steadily increase. The revenue under Excise and Customs is also showing a large and continuous increase. Leaving all growth of revenue under Railways, as also under Excise, Customs and other principal heads, to meet the growing requirements of public expenditure, we still have a margin of about $7\frac{1}{2}$ crores a year to devote to purposes intimately connected with the moral and material wellbeing of the people. And if only military expenditure is prevented from absorbing everything, and a comprehensive and statesmanlike view taken of the duties of the State and of the exceptional opportunities which the present position of the finances affords to Government, a vast deal could be done to improve the condition of the people and thereby also to deepen, broaden and strengthen the true foundations of British rule in this land. There is, for instance, the separation of Judicial and Executive functions to be effected—a reform demanded by eminent Anglo-Indians as well as Indians, which Lord Dufferin described as a counsel of perfection and which, he said, could not then be carried out for want of funds. Well, the Government now have funds to carry out the reform many times over, and I respectfully submit it ought to be no longer delayed, as the sense of oppression and discontent, to which it gives rise, is infinitely more serious than any administrative convenience which may result from it. Then there is the extension of education in all its branches—a matter of the greatest importance to the country's progress. But it is not of these that I desire to speak today. The subject that I wish most earnestly to urge upon the attention of the Government is the condition of the agriculturist. My Lord, the Indian agricultural producer is terribly handicapped, and his position is getting harder every day. In the first place, nowhere is the burden of taxes on the land in relation to produce so heavy as in this country, as may be seen from the following figures, taken from Mulhall's Dictionary :—

Country.	Percentage of taxes in relation to gross produce.
United Kingdom	8·3
France	4·8
Germany	3·0
Austria Proper	4·9
Italy	7·0
Belgium	2·8
Holland	2·8

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“These taxes on land include stamp-duties and local rates and in France road-cesses. In India, leaving out of calculation Provincial rates and stamp-duties, and confining ourselves to land-revenue only, what do we find? Taking the figures set forth in the Government Resolution of 1902, which cannot be suspected of being unduly unfavourable to Government, we find that in *Madras*, the assessment is from 20 per cent. in the Godavari District to 8 per cent. in Anantpur of the gross produce, and in most districts it averages over 15 per cent. In *Bombay*, the assessment in Guzerat is 20 per cent., and even in the dry and dreary Dekkhan, considering the uncertainty of the seasons, it is in no way lighter. In the *United Provinces of Agra and Oudh*, it is one-seventh or one-eighth of the gross produce, *i.e.*, from 12 to 14 per cent. Thus, while elsewhere the total burden on land is well below ten per cent., with us, taking the land-revenue alone, we see that the assessment over most areas is about 15 per cent. and in some portions as high as 20 per cent. of the gross produce—and this according to official estimates. Secondly, everywhere in India, and particularly in the temporarily-settled districts, the utter resourcelessness of the agricultural classes is the most distressing fact of the situation. The cultivator has no capital and has but little credit and is simply unable to make proper use of Nature's wealth that lies at his door, with the result that his cultivation is of the rudest and most exhausting type. The yield of the soil has been steadily diminishing, except in irrigated tracts, being simply 8 to 9 bushels an acre, about the lowest yield in the world. Thirdly, the currency legislation of Government has hit the raiyat very hard, depreciating at once the value of his small savings in silver and increasing steadily, as prices are adjusting themselves to the new rupee, the burden of his assessment and his debts. Fourthly, a succession of bad seasons during the last fifteen years have borne him down with crushing pressure, the MacDonnell Commission observing that the past decade in most parts of India has been ‘a decade of misfortune and distress.’ Lastly, there is his terrible indebtedness, which is admitted by everybody and which, there is reason to fear, is steadily on the increase. In such a situation, the struggling raiyat, toiling ceaselessly without heart and without hope, needs every assistance and relief that can possibly be brought to him. But the operations of the Settlement Department are going on apace, and everywhere a fresh revision means a fresh enhancement of the Government demand. Taking *Madras*, *Bombay*, *Central Provinces*, and the *United Provinces of Agra and Oudh* together, we find that during the last ten years the land-revenue collections have risen from 14·4 crores in 1893-94 to 15·4 crores in 1903-04—an increase of fully one crore in ten years! And yet all these provinces have suffered during the period

from a succession of calamitous seasons. My Lord, the fearful poverty and indebtedness of the agriculturist calls for a great and comprehensive scheme of ameliorative action, and no mere palliatives will be of much avail. A general reduction of the State demand in the temporarily-settled provinces, as suggested by Mr. O'Connor, and the grant of Permanent Settlement to those provinces, together with a bold scheme for the composition of the raiyats' liabilities—nothing less than these measures will really save him from utter and hopeless ruin. The present financial position, with an assured excess of at least $7\frac{1}{2}$ crores of revenue over expenditure, gives Government a great opportunity, which, if allowed to slip now, may never present itself again. A reduction of 20 per cent. in the State demand in the provinces of Madras, Bombay, Central Provinces, and United Provinces will not cost more than 3 crores a year and the amount sacrificed will return to the State tenfold in the increased prosperity and contentment of the people. And a great scheme of composition of debts, similar to the one for buying out the landlords in the Irish Land Purchase Act of last year—when the Imperial Treasury undertook to advance a hundred millions sterling for the purpose—will mean the making of the raiyat again and is the only way in which the problem of agricultural indebtedness can be successfully grappled with.

“Another subject, which I wish earnestly to bring to the attention of Government, is the condition of Municipal bodies in those parts of the country which have suffered severely from successive visitations of the plague. The finances of some of these bodies have been so completely disorganized that it is with difficulty that they are able to perform their most elementary duties. They still owe large sums to Government for plague loans, though the greater part of these loans have been already remitted by Government, and unless Government come forward again to help them out of their embarrassments, their available margin of income over expenditure must be devoted to the paying off of these debts for several years to come. I have the honour to preside over one of the largest Municipalities in the Bombay Presidency—the Corporation of Poona—a body which has suffered as much as any other from this terrible scourge; and I know from personal experience how we are simply powerless at present to undertake any large works of improvement and what a struggle we have to make merely to keep things going. Our plague debt today is about $2\frac{1}{2}$ lakhs of rupees—a sum nearly equal to our annual income—and it will take something like fifteen years to clear it off, which means that for fifteen years our small margin of income over expenditure will not be available to us for any other purpose. From a return very courteously

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supplied to me by the Finance Member, I find that the amount which the mufassal Municipalities in the Bombay Presidency still owe to Government is about 17 lakhs of rupees. This is over and above 22 lakhs which the Government have already remitted. Moreover, the municipalities have met out of their own revenues a plague expenditure of about 16 lakhs. It is only fair to mention that for these plague loans the Municipalities are only technically responsible. They represent the excess expenditure incurred by Government in the name of Municipal bodies in the early years of the plague, when all kinds of drastic measures were adopted to stamp out the disease and Municipal money was spent by plague officers appointed by Government with the most reckless profusion. Now this sum of 17 lakhs, which the Municipalities still owe to Government, is really the merest nothing to the Government, with their crores and crores of surplus revenues; but to these Municipal Bodies, it means all the available margin of income over expenditure. I therefore earnestly suggest that these plague loans should be written off by Government, so as to leave Municipalities free to devote their slender resources to urgently needed undertakings. I am willing that in writing off these loans, a condition should be imposed on the Municipalities that the amounts written off by Government should be devoted to works of permanent utility. I am sure, my Lord, if only the Finance Minister will adequately realize the extent of our difficulties—difficulties which contrast most painfully with the prosperous condition of the Government of India's Treasury—he will at once recognize the absolute necessity of coming to our relief. In Poona, for instance, we have the plague from four to six months every year. During these months, we suffer a heavy loss in octroi and other revenue, and while our receipts thus suffer, our expenditure increases, because, in addition to our ordinary establishment, we have to maintain a special establishment to deal with the outbreak of plague. My Hon'ble friend Mr. Younghusband, who is Commissioner of the Division to which Poona belongs, and who has always been a most sincere friend of local bodies, will, I am confident, endorse every word of what I have said, if he is called upon to express an opinion on this subject. But writing off plague loans is not all the assistance that I ask for our Municipalities at the hands of the Government. I want the Government to go further—much further—and recognize the obligation to make substantial grants in aid of the funds of these bodies for works of permanent improvement, such as drainage and water-supply. My Lord, the persistence with which the plague has been lingering in our midst has drawn pointed attention to the questions of faulty drainage and defective water-supply, and it is recognized that real improvement in the health conditions of the people is impossible,

unless these matters are taken seriously in hand. Now it is a Western plan which leaves such works to be executed by local bodies out of their own resources. And though it may work well in Western countries owing to the wealth of their towns, it is utterly unsuited to India, where the unaided resources of local bodies are altogether inadequate for such costly undertakings. Moreover, in view of the frightful mortality caused by the visitations of plague and the generally high death-rate of Indian towns, it is a clear obligation resting on Government, especially when they have funds necessary for the purpose, to do all that lies in their power to promote the interests of public health, and from this obligation they are not absolved simply because they have handed over certain duties and certain resources to certain Boards. Further, these Boards are not independent bodies. They are subject to a large measure of Government control and they include a considerable proportion of Government nominees. It is only fair therefore that the Government should assist them financially in carrying out projects which are beyond their unaided capacity to undertake. Government give a grant to these Boards in aid of education, and there is no reason why public health should not be placed on the same footing as education. I would therefore suggest that about a million sterling a year should be devoted to assisting Municipal Bodies with grants for drainage and water-works. I understand that such grants are not unknown in individual instances in Madras and some other Provinces. I think, however, that the construction of such works will be greatly encouraged by the Government adopting an attitude of liberality as a general policy in this respect. The needs of public health require such assistance from Government and financially they are in a position to render it. The principle, moreover, has been accepted this year in the case of District Local Boards. I earnestly trust, therefore, that the suggestion which I have ventured to make will receive favourable consideration at the hands of Government.

“My Lord, I have already detained the Council at considerable length, but there is one subject more, about which I would like to say a word, before I conclude. This time last year, Your Lordship dealt at some length with the question of the wider employment of Indians in the public service, and shortly after that a lengthy Resolution was issued by the Government of India on the same subject, reiterating the arguments and conclusions of Your Excellency's speech. Your Lordship, after analysing the situation, came to the conclusion that not only were the people of this country not justified in complaining of exclusion from high office, but that they were being treated with ‘a liberality unexampled in the history of the world.’ The Government Resolution of May

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24th, 1904, expressed the same opinion in the following words:—‘There has been a progressive increase in the employment of natives and a progressive decline in the employment of Europeans, showing how honestly and faithfully the British Government had fulfilled its pledges and how untrue is the charge which is so often heard of a ban of exclusion against the natives of the country.’ In spite of both the speech and the Resolution, however, the public mind remains unconvinced, and certain propositions in the Resolution have even created the unfortunate impression that it was no longer the intention of Government to adhere faithfully to the lines of policy laid down in the matter in the Parliamentary Statute of 1833 and the Proclamation of the Queen-Empress in 1858. The Statute and the Proclamation have respectively pledged the word of the British Parliament and the British Sovereign to the people of India that all offices in the country shall be equally open to all without distinction of race, colour, or creed. The Statute was further interpreted by the Court of Directors as laying down that there was to be no governing caste in India, and that whatever tests of fitness were prescribed, considerations of race or creed were not to be of the number. The Resolution of last year, however, lays down two principles, as governing the situation, which, in the form, in which they are stated, are certainly inconsistent with the pledges given in the Statute of 1833 and the Proclamation of 1858. The Resolution says:—‘The general principles which regulate the situation are two in number. The first is that the highest ranks of civil employment in India, those in the Imperial Civil Service, the members of which are entrusted with the responsible task of carrying on the general administration of the country, though open to such Indians as proceed to England and pass the requisite tests, must nevertheless, as a general rule, be held by Englishmen, for the reason that they possess partly by heredity, partly by upbringing and partly by education, knowledge of the principles of government, the habits of mind, and the vigour of character, which are essential for the task, and that the rule of India being a British rule and any other rule in the circumstances of the case being impossible, the tone and standard should be set by those who have created and are responsible for it. The second principle is that outside this *corps d’elite*, the Government shall, as far as possible, and as the improving standards of education and morals permit, employ the inhabitants of the country, both because its general policy is to restrict rather than to extend European agency and because it is desirable to enlist the best native intelligence and character in the service of the State. This principle is qualified only by the fact that in certain departments, where scientific or technical knowledge is required, or where there is a call for the exercise

of particular responsibility or for the possession of a high standard of physical endurance, it is necessary to maintain a strong admixture and sometimes even a great preponderance of the European element.' The Government of India thus lay down (1) that race, so far from being no disqualification, shall constitute in the case of all but a very few a conclusive disqualification for the higher offices of the State; (2) that this disqualification shall last as long as the British rule endures; (3) that in regard to other offices held at present by Europeans, they are so held because Indians qualified by education and morals are not either available, or where they are available, they are unfit for the exercise of 'particular responsibility.' Now, my Lord, the equal treatment promised in regard to public employment by the Parliamentary Statute and the Queen's Proclamation may be nothing better than a legal fiction in practice, but it is a fiction which we have cherished, as embodying an ideal for the future and representing the higher purpose of British rule in this land, and we cannot afford to see it so explicitly repudiated by the Government. Nothing to my mind is calculated to affect more disastrously the attitude of educated Indians—and their number is bound steadily to grow—towards British rule than a belief that under that rule their exclusion from the highest offices of the State is intended to be perpetual. As regards the question of education and morals being involved in our exclusion from most of the offices in the special departments, is it really intended to be conveyed that among the thousands and thousands of educated Indians, who are ready to seek employment under the State, even a few cannot be found possessing the necessary education and moral character or qualified to exercise the required degree of responsibility? I am sure the question has only to be presented in this form to make the injustice of it clear to everybody. Why, my Lord, it is a matter of common knowledge that, in the case of the smaller appointments at all events, it is not the Indian, but the European or Eurasian competitor, whose education and morals it would really be desirable sometimes, carefully to investigate. However, I do not wish to pursue this argument any further on this occasion. My object today is to point out how inaccurate and misleading is the conclusion, which the Government of India Resolution has recorded on this subject and which I have already quoted above. The Resolution claims (1) that the pledges given have on the whole been honestly and faithfully carried out, and (2) that there has been a progressive increase in the Indian element and a progressive decline in the European element in the service of the State. Before proceeding to show how unsupported by facts this two-fold claim is, I must, in the first place, point out that in the statistical tables which accompany the Resolution, the real issue has been

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obscured by the inclusion therein of posts as low as Rs. 75^a a month. When we complain of our exclusion from high office, we do not refer to the lower grades of the Public Service—grades which carry salaries as low as Rs. 75 or 100 or even 200 rupees a month—though in some of the special departments, we are virtually shut out even from such petty appointments. When we make the complaint about exclusion, we refer to offices sufficiently high in the Public Service—offices of trust and responsibility—say above Rs. 500 a month. I have compiled tables for the years 1897 and 1903 from the statistics published by the Government of India to show how we stand in regard to these appointments, and it will be seen from them that the two-fold claim of the Government of India already referred to is wholly untenable. I do not propose to read out these tables. They will appear as an appendix * to my speech in the report of these proceedings. It will be seen from them that they effectively dispose of the contention that we have so far been treated with unexampled liberality. They also show that most of the new posts, created between 1897 and 1903, have gone to either Europeans or Eurasians, which element certainly shows no signs of declining, the Indian element even losing ground in some of the departments.

“My Lord, this question of appointment to high office is to us something more than a mere question of careers. When all positions of power and of official trust and responsibility are the virtual monopoly of a class, those who are outside that class are constantly weighted down with a sense of their own inferior position, and the tallest of them have no option but to bend in order that the exigencies of the situation may be satisfied. Such a state of things, as a temporary arrangement, may be accepted as inevitable. As a permanent arrangement, it is impossible. This question thus is to us a question of national prestige and self-respect, and we feel that our future growth is bound up with a proper solution of it. My Lord, Your Lordship said on one occasion that to your mind efficiency of administration was synonymous with the contentment of the people. There is no question, of course, of the supreme importance of a high degree of efficiency in a country's Government. There is also no doubt that in this respect the present Administration has been the most strenuous and the most successful of any that the country has had for many years. But may I venture respectfully to point out that Your Lordship's proposition leaves out of account the special circumstances of India, that efficiency, though an object of paramount importance with us as elsewhere, is not the sole purpose of British rule in this land, and that for the contentment of the

* *Vide Appendix C.*

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people to be real and enduring, something more is indispensable than mere efficiency, however high it may be. A succession of great statesmen, who in their day represented the highest thought and feeling of England, have declared that, in their opinion, England's greatest work in India is to associate the people of this country, slowly it may be, but steadily, with the work of their own Government. To the extent to which this work is accomplished, will England's claim to our gratitude and attachment be real. If, on the other hand, this purpose is ever lost sight of or repudiated, much good work, which has been already done, will be destroyed, and a position created, which must fill all true well-wishers of both England and India with a feeling of deep anxiety."

The Hon'ble Mr. HEWETT said:—"My Lord, in his memorandum on Railway Development for 1904-1905 the Hon'ble Sir Arundel Arundel was able to announce a larger provision for railway development during the year than had ever been made before. The Hon'ble Mr. Baker has already stated that we have been able to increase the allotment to a still higher figure during the coming year, and taking into account the estimated expenditure on famine protective lines, branch lines not in receipt of a direct guarantee, railways outside the Government account and the expenditure from provincial and local revenues and from loans raised by local boards for local lines, the estimate for the coming year is over a crore in excess of the revised estimate for the present year, and over 3 crores in excess of the accounts for 1903-1904. It is indeed to be regretted that the demands for open lines and lines already under construction leave only 52 lakhs of the grant of 12½ crores available for the commencement of entirely new lines, but the mileage by which we hope to increase our railway lines during the year, namely, 1,138, will be substantial. The requirements in respect of additions to the rolling stock swallow up a large amount of the annual grant. In the three calendar years from 1901 to 1903, 14,000 goods wagons were added to the rolling stock, and the expenditure provided under this head in the present and coming years is 300 and 230 lakhs, respectively. The Hon'ble Mr. Baker has explained that in the distribution of the grants which have been made to district and local boards it is intended that special consideration shall, wherever possible, be given to local wants in the matter of communications. The Government of India trust that the grants will give a fresh impetus to the construction of feeder roads, to the need for which more than one Hon'ble Member has referred, and that the boards will be encouraged, with their increased resources, to do more than has been possible in the past in the direction of giving guarantees for tramways and light railways.

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“The Hon’ble Mr. Cable has urged that the time has come when we must decide to adopt a more definite policy as to the working of railways by State agency or private enterprise. The Hon’ble Member and the Hon’ble Maharaja of Darbhanga have testified to the interest with which the public is looking forward to a pronouncement by the Railway Board as regards the system upon which improvements and extensions of railway communication should be carried out in the future. Mr. Cable has also expressed the opinion that the first duty of the Board in order of importance is the sympathetic adjustment of railway rates. My Lord, I do not understand the Hon’ble Member to expect upon the present occasion any statement as to the policy which the Railway Board would advocate in these matters, and it would, in fact, have been impossible for the Board, so recently after its constitution, to have already come to any definite conclusion upon these important subjects. I can, however, promise the Hon’ble Member that all questions relating to the development and improvement of the transport facilities of the country will receive the sympathetic attention of the Board.

“My Lord, I may conveniently take this opportunity of referring to the position which will be occupied by the Railway Board. The Resolution published in the *Gazette of India* of the 18th February last makes it clear that the Board is a body outside the Government of India. Legislation has recently been carried out to enable the Government of India to delegate the powers that they possess under the Indian Railways Act of 1890 to the Board, and the greater part of the powers conferred by that Act has, as was explained in the Resolution issued in the Commerce and Industry Department on March 24th, been delegated to the Board. The object of the Government of India has been to create an authority capable of itself dealing finally with the technical aspects of railway administration and to reserve for their own decision only deliberative matters of higher policy. The functions of the Railway Board are of two kinds, *viz.*, administrative and deliberative. Among the former are the construction of new lines by State agency, the carrying out of new works on open lines, the improvement of railway management with regard both to economy and public convenience, the arrangements for through traffic, the settlement of disputes between lines and the control and promotion of the staff on State lines. The deliberative functions include the preparation of the railway programme, the larger questions of railway policy and economy. In the exercise of the latter functions the Board will act as the adviser of the Government, whose conclusions will not be arrived at without the advice of the Board. And it has been provided that opportunity shall be given to the Chairman of the Board of placing the views of that authority

personally before the Council when this is necessary. All communications whatever connected with railway administration, whether they deal with technical questions or with matters in which commercial interests are involved, must be addressed to the Railway Board, who will forward with their recommendations to the Government of India those relating to matters reserved for the determination of Government.

"In speaking on the motion that the Bill empowering the Government of India to give to the Railway Boards powers under the Railways Act of 1890 should be passed into law, the Hon'ble Rai Sri Ram Bahadur spoke with appreciation of the arrangements which have been made for the comfort of third class passengers on the Oudh and Rohilkhand Railway, and urged that the Railway Board should take up this question in regard to other railway lines. He has again referred to this question today, and the Hon'ble the Maharaja of Darbhanga has pressed the importance of effecting radical improvements in the treatment of third class passengers. Both these Hon'ble Members have referred to the proceedings of the representative Conference of Indian gentlemen assembled at Lucknow in December 1903, at the invitation of the Oudh and Rohilkhand Railway, to consider what arrangements could be suggested for the comfort and convenience of the third class passenger. The amelioration of the conditions under which the third class passenger travels is regarded as of great importance by the Government of India—who are gratified to learn that the public appreciate the reforms effected by the Oudh and Rohilkhand Railway. The proposals made at the Conference have been discussed with other railways in India and the Railway Board have already taken the question into their consideration.

"The Hon'ble Rai Sri Ram Bahadur has asked that the communication by rail between Allahabad and Lucknow should be made more direct. It was only on January 1st last that these two places were brought into more direct communication than before by the opening of the Allahabad-Fyzabad Railway. The further step of connecting Allahabad with Rai Bareilly, which would shorten the distance by a little less than thirty miles, will probably be taken some time, but there are many more urgent projects before the Government of India, and there is no present intention of undertaking this work.

"Your Excellency, in speaking on the Financial Statement for the current year, referred to the proposal to create an Imperial Customs Service. That proposal has been matured by the Government of India, and is now before the Secretary of State, whose orders in respect of the scheme are awaited. Complaints have been frequently made by those engaged in trade that practices to

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which they have become accustomed at one Indian port are objected to at another, and that facilities which are accorded without question by one Collect or of Customs are withheld by another. What the mercantile community contend is, that there should be certainty in the operations of the Customs Department, and that an article should be subjected to the same treatment whether the place of import is Calcutta or Bombay, Rangoon or Karachi. The Government of India consider this contention to be perfectly reasonable, and trust that the institution of an Imperial Customs service, which will, they hope, not be long delayed, will remove many of the objections which have arisen in the past to the manner in which customs-duties have been levied.

“The Hon’ble Mr. Baker has already intimated that the weight which can be sent by the inland post for the half-anna rate of letter postage is to be raised from one-half to three-quarters of a tola. This change will take effect from April 1st. The Government of India hope that the weight may eventually be raised to one tola ; but this change, since it would necessitate a revision also of other rates of postage, would involve a very large amount of expenditure which would not be at present justified in accordance with the principle stated by Mr. Baker. I am able to announce that the insurance fees charged on articles transmitted by the inland and foreign posts will be reduced to half the present rates with effect from 1st July next. The following additional concessions will come into effect at once: firstly, following the practice in Great Britain, the Director-General of the Post Office has been authorised to pay compensation, as a matter of grace and up to a limit of Rs. 25, for the loss or damage to registered inland letters, packets or parcels; secondly, permission has been given to the public to enter written or printed communications on the address side of postcards of private manufacture; thirdly, the prohibition against the use of stamps of embossed envelopes for newspaper wrappers or postcards in payment of postage has been removed. This concession will not, however, extend to stamps cut from registration envelopes, as, for departmental reasons, it is considered necessary that the use of such stamps should be strictly limited to registered articles.

“The Hon’ble Mr. Cable has referred to the question of introducing a unified stamp. This has been long under discussion. There seems to be a general impression that it was abandoned because the Government of India found it difficult to determine how to apportion the receipts from the sale of the unified stamp between themselves and the Provincial Governments. This was not the case at all. The Government of India were perfectly ready to adopt the unified stamp, but insisted that, if postage stamps were to be used for revenue as well as postal

purposes, the practice of penmarking postage stamps on letters must be prohibited. Owing to the opposition raised to this proposal in certain business quarters the idea of a unified stamp was abandoned. The Government of India, after considering the matter again, are satisfied that its introduction will be of great convenience to the public, and have accordingly determined to recommend at once to the Secretary of State that the one-anna and half-anna postage stamps should be made available for use as receipt stamps, and also for all documents chargeable with a one anna stamp under the General Stamp Act. From the date on which this proposal takes effect it will be necessary to enforce the rule that already exists, namely, that stamps on letters must not be pen-marked. Enquiries made some time ago showed that the proportion of letters posted on which the stamps had been pen-marked was comparatively small. It seems more than probable that it has declined considerably in recent years. In any case, the Government of India do not think that the wish of a comparatively small minority, to continue to pen-mark the stamps on their letters, ought any longer to stand in the way of the introduction of a change which cannot fail to be convenient to the public generally.

“ I will refer, my Lord, for one moment to the question of the establishment of a mail service between Aden and Karachi in connection with the general Eastern Mail Service. This proposal has been frequently before the Government of India, who are in sympathy with those who would wish to see the service established. The question is entirely one of cost. The Treasury has definitely decided, and the decision is quite reasonable, that any expenditure incurred in the establishment of such a service must be debited to Indian revenues. The Secretary of State has been asked to ascertain the probable cost of a link line either by informal inquiries or by calling for formal tenders. When the matter was previously under consideration the only offer made was for a subsidy which was absolutely prohibitive, and the Government of India are not hopeful that any steamship company will be found ready to carry out the service on terms which they would be justified in accepting.

“ The Hon'ble Mr. Cable has inquired whether the Government contemplates any further reduction in telegraph rates. The returns of business of the Telegraph Department show that the revised inland rates introduced from the 1st January 1904 have been much appreciated by the public. The number of private telegrams sent at the unit rate of 4 annas in the calendar year ending 31st December 1904 was 1,697,889, or 31·66 per cent. of the total deferred private traffic. The total number of private deferred telegrams, which in the calendar year 1903 was 3,750,477, rose in 1904 to 5,362,715. The value rose

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from Rs. 42,28,333 to Rs. 45,49,364. This large increase in the number of private deferred telegrams has been accompanied by an increase of urgent private messages from 255,808 to 305,696, and a decline in ordinary private messages from 1,186,627 to 1,163,983. Including Press and State messages, the number of messages issued by the Telegraph Department was in 1904 7,664,726 compared with 6,049,845 in 1903. The Government of India have at present under their consideration a proposal to place deferred telegrams on the same footing as urgent and ordinary telegrams by allowing ten words for the unit charge of four annas, inclusive of the address, instead of six words in the address and four in the text.

"In March 1902 the cost of telegraphing to Europe was reduced from 4 shillings to 2-6*d.* a word in the case of ordinary messages, and from 1-4*d.* to a shilling a word in the case of press messages. Your Excellency referred a year ago to the encouraging results of this experiment. The number of words sent in ordinary messages between India and Europe in 1901, the last complete year in which the old rates were in force, was slightly under 2,200,000. In 1902 (during ten months of which year the new rates were in force) it rose to 2½ million words; in 1903 to over 3 million words, and in the first 10 months of 1904 to 2,700,000, so that we may estimate the total for last year at 3¼ million words. The Government of India are entitled to claim a further reduction to 2 shillings a word so soon as the revenue of the Cis-Indian Joint Purse reaches £352,000 over the average of the previous three years. The latest returns indicate that these figures are being approached, and I trust that the public will not have to wait much longer for the reduction of the cost in the case of ordinary messages to 2 shillings a word, and in the case of press messages to 8*d.* a word.

"The Telegraph Department, and specially Mr. Simpson, who was responsible for the success of the experiments, are to be congratulated on Port Blair in the Andamans and Slipper Island having been brought into telegraphic communication with the rest of the world on the 10th of February last by the establishment on that date of wireless telegraphic communication between those two places and Diamond Island, which latter place was already connected by cable with the general telegraphic system of India. Since that date service messages have been daily exchanged between Diamond Island and Port Blair, a distance of a little over 300 miles. It is hoped that with the installation of more powerful instruments within the next three months communication will be secured at all times, and that it will then be possible for this extra service to be thrown open to the public, and that it will prove to be a great benefit to the

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shipping of the Bay of Bengal and to the Meteorological Department. For the benefit of the shipping of the port of Calcutta and the Meteorological Department arrangements are also being made by the Telegraph Department to connect Saugor Island with two stations, one on the Pilot Brig and the other on the Eastern Channel Lightship, by means of wireless telegraphy."

The Hon'ble SIR DENZIL IBBETSON said :—" My Lord, before I turn to the main subject upon which I propose to address the Council, I should like to correct a misapprehension under which my Hon'ble friend Mr. Bose is labouring, as regards the appointments to the Public Works Department which are to be made by the Secretary of State. He tells us that, whereas under the rules in force at Cooper's Hill certain appointments were 'open to Indians, the new appointments are for Europeans only, so that 'an absolute bar' has been created to the entry of Indians into the Imperial service. He has not realised that the appointments to which he refers are in addition to, and not in substitution for, those from Cooper's Hill. The latter will be made as usual, so that the appointments which are open to Indians remain untouched.

" I propose to confine my remarks today in the main to the subject of agriculture—a subject which has of late been very much before the public. It is still not quite three-and-a-half years since the appointment of an Inspector General gave the Imperial Agricultural Department for the first time an expert head, and placed us in a position to enlarge the scope of our own operations, and to co-ordinate the useful work which was being done on independent lines in various provinces; and already we have found it necessary to apply to the Secretary of State for a trained agriculturist to act as his Assistant. When Mr. Mollison was appointed, our Imperial staff consisted of an Agricultural Chemist, and a Cryptogamic Botanist of a few months' standing. It now includes six experts highly qualified in various branches of science as applied to agriculture, while a seventh has been sanctioned, but not yet appointed. At that time a trained Deputy Director of Agriculture was to be found only in Madras, Bombay, and the United Provinces; while the Economic Botanist in Madras was the only provincial representative of the more specialised branches of the subject. Since then expert Deputy Directors have been sanctioned for Bengal and the Punjab, and we are asking for one for the Central Provinces; the United Provinces now have an Economic Botanist of their own, and Bombay a Professor of Botany; while a Professor of Agriculture and an Agricultural Chemist have been sanctioned for the Poona College, and a similar strengthening of the staff of the Madras College at Saidapet is under consideration. Thus within the 3½ years of which I have spoken, our staff of

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6 has expanded to 20 appointments, of which 6 have yet to be filled, since it takes time to secure the services of competent men, even in England.

"In 1903 I sketched the scheme of an Institute of Agricultural Experiment, Education, and Research which was to be started at Pusa. The scheme was at that time very much in the rough, and had still to be worked out in detail and to be submitted for the Secretary of State's approval. Since then his sanction has been received, the Pusa property has been taken over from the Bengal Government, the arable land, which had been under grass for some time, has been got into order, and experimental cultivation has already begun. Estimates for buildings amounting to $16\frac{1}{2}$ lakhs have been prepared, good progress has been made with the residences for the staff, and next autumn the experimental and research work of the Imperial experts will be transferred to Pusa. Work has been begun upon the main building, which is to be called the Phipps' Laboratory, and is to cost $7\frac{1}{2}$ lakhs when complete (including the 3 lakhs provided by Mr. Phipps' munificence), and of which His Excellency the Viceroy has kindly consented to lay the foundation stone next Saturday. It is hoped that the building will be complete, and the whole institution in full working order, within two years from now. The superior staff has, with one exception, already been appointed and, pending the completion of the College, is employed upon experimental and research work; while it is at the same time training three out of the six Indian gentlemen who are to act as Assistant Professors when educational work is started. Of these, the Assistant Biological Botanist is to be sent to England and Ceylon to complete his special preparation for his duties.

"Following the precedent of the Board of Scientific Advice which was constituted some three and a half years ago, with the object of co-ordinating the operations of our various scientific departments and securing from their investigations the maximum of practical benefit, and from the institution of which we have already derived much advantage, we have constituted an Advisory Board of Agriculture, upon which all branches of the subject are represented both by Imperial and by Provincial officers. It held its first meeting at Pusa a few weeks ago, and a summary of its proceedings and recommendations has already appeared in the papers. I have no doubt that we shall derive as much benefit, and of a similar nature, from the advice of this body, as we derive from that of the Board of Scientific Advice. And apart from this, the mere meeting together at regular intervals of experts employed upon the various branches of this great subject in different parts of this great country, must do real good by promoting the interchange of expe-

rience and ideas, and by stimulating that scientific enthusiasm which lies at the root of the best work.

“Recent events have directed special attention, both here and at home, to the improvement of Indian cotton. The problem is not a new one, as it has occupied the Government of India from time to time since early in the last century. The latest special attempt to solve it was made during the cotton famine which followed upon the American Civil War; like previous efforts, it was directed mainly to the introduction of exotic varieties and was founded upon no basis of scientific knowledge; and like them, it failed to effect any general or lasting improvement. But it was useful as proving beyond doubt that the problem had not been attacked from the right direction, that for the most part foreign cottons are unsuited to and undergo rapid deterioration under Indian conditions, that we cannot hope to compete with the products of America and Egypt, simply by importing seed from those countries and distributing it broadcast among our cultivators, and that our best hope of success lies in the improvement of the indigenous types upon lines indicated by modern science. It is accordingly in this direction that the Agricultural departments are chiefly working to-day. When the Inspector General of Agriculture was first appointed, he was desired to devote his special attention to cotton, which, notwithstanding the shortness of the Indian staple, is still one of the most valuable and important of our crops, since it is grown on an average area of some 10 million acres, and occupies the first place in our export trade. Mr. Mollison had been impressed by the good results obtained in the United States by plant-selection and cross-breeding, and he initiated experiments on similar lines. These experiments have till recently been concentrated in the Bombay Presidency, which is our chief cotton-growing province, but they are now being extended to other tracts as the skilled agency which is required for them becomes available. Attention has also been directed to the acclimatisation of exotics in the North-West of India, and especially in Sind, where there is still a possibility that under favourable conditions of soil and climate, and with the help of cheap irrigation, some of the foreign varieties may be adapted to Indian environments. Meanwhile, we are taking stock of the plants with which we have to deal; and a botanical survey of Indian cottons was started some years ago and is in active progress, which will serve as the scientific basis on which practical experiment must rest. It will be seen that we are still in the region of investigation and enquiry, and that much patient work must be achieved before definite results can be hoped for; for, as I remarked two years ago in connection with jute, a plant will only consent to ripen once a year, and will not allow itself to be hurried. But I believe that we are working on the right lines; our experiments already hold out promise of success; and I confidently look for good results.

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"We have heard a great deal lately about the 'deterioration' of the Indian staple, and there is little doubt that in some parts of the country genuine deterioration has taken place, which has been due in the main to the indifference of the Indian cultivator in the matter of seed, to his neglect to keep the local varieties separate, and above all, to the substitution of machine for hand ginning, which has very greatly increased the difficulty, both of separating varieties and of selecting seed. But it must be remembered that deterioration from the point of view of the Lancashire manufacturer is by no means necessarily deterioration from the point of view of the Indian cultivator. The former demands a long staple, while the latter desires a paying crop. And much of the so-called deterioration, of which we hear complaints, is due to the deliberate substitution by our cultivators of shorter and coarser for longer and finer stapled cotton; since the former plant is more hardy than the latter, and less liable to injury from drought or excessive rain or insects, it can be planted later, so that a late monsoon can be awaited, it ripens earlier, so that nothing is to be feared from frost, and if the produce fetches a lower price per pound, the yield is so much larger as to more than make up the difference, while markets close at hand are ready to absorb the whole production.

"The fact is, that the problem is largely a commercial one. If we can produce a cotton which will pay our husbandmen better than the one they now grow, they will adopt it fast enough; and if the new produce is at the same time better suited to industrial needs than the present one, so much the better for every body. But the prices upon which the comparison is based must be average ones, which can be depended upon with some certainty from one year to another; and we should, in my opinion, incur a grave responsibility if we applied an artificial stimulus to the cultivation of long stapled cotton, on the basis of prices which are possibly, if not probably, purely accidental; for we may be very sure that Lancashire will buy no cotton from us that she can get cheaper elsewhere.

"And it is because the problem is so largely a commercial one, that I so cordially welcome the association of commercial men with us in our endeavours after improvement. At the instance of the British Cotton Growing Association we have contributed a moiety of the expenditure, subject to a maximum of £3,000, upon the experimental work which has been undertaken by a Calcutta Syndicate. I need hardly say that all the expert knowledge and experience which are at our command have been placed at the disposal of the Syndicate. But to my mind, the most promising feature of the undertaking is, that the purely

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experimental stage once completed, the work is to be conducted on a commercial scale, under commercial guidance, and with a strictly commercial object.

“Meanwhile, we have endeavoured to do something to assist and encourage the cultivator to make use of selected seed. As I have said already, the establishment of improved varieties must be a work of time; and when they have been established, it will be necessary to start seed farms on a considerable scale to act as distributing centres. But without waiting for that, we have endeavoured to effect some improvement on less ideal but less dilatory lines. Taking the local cotton crops as they stand, the Local Governments are collecting the produce of selected fields or plants, having it ginned separately, and distributing the seed to careful farmers on easy terms. It is impossible that improvement should not result from this process, if steadily applied to successive generations of plants, since even if the local variety is a poor one, its best seed will still give better results than its worst; and we have, in the past year, devoted Rs. 25,000 to the purpose, while Local Governments have expended a similar amount from their own resources.

“Such, my Lord, is a brief sketch of the advance which we have made in the development of our Agricultural Department during the past three years. In 1902-03 the total net expenditure upon the Department was 9½ lakhs. The revised estimates for the past year show a corresponding figure of 14½ lakhs. which represents an increase of 52 per cent.; while the budget estimates for the coming year provide for expenditure amounting to 18 lakhs, or very nearly double that of 1902-03. That is independent of buildings, upon which 1¼ lakhs have been expended this year, and 3 lakhs provided for next year. So again in the Civil Veterinary Department. In 1902-03 we still had sole charge of horse-breeding, so that the figures are not comparable. But the revised estimates for 1904-05 amount to over 11 lakhs, while provision has been made in the present budget for an expenditure of over 14½ lakhs, representing an increase of 32 per cent.

“That is the normal ordinary growth of the expenditure; and if measured by percentages of increase, it cannot, I think, be regarded as otherwise than satisfactory. But we have been repeatedly told of late by the Press, both English and Indian, by Hon'ble Members of this Council, and by the authorised representatives of commercial interests, that the amount of this expenditure is wholly inadequate if measured by the importance of the subject to which it is devoted; and for my own part, I have always been entirely of the same opinion. I have explained, however, more than

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once, and last year in some detail, in answer to the Hon'ble Mr. Hamilton, why it is impossible, and why if possible it would be unwise, to attempt too sudden an advance; our main difficulty being the deficiency of trained agents and the absence of the means of training them. These two needs, it is hoped that the Institute at Pusa will help us to supply. But if the initial difficulties which confront us make any attempt to emulate (for instance) the example of America, which has been repeatedly held up to us for imitation, inadvisable until we have a larger qualified agency at our disposal, they need not prevent us from progressing upon more modest lines, in such manner and to such an extent as our existing means, both financial and professional, may appear to justify; and accordingly, in addition to the normal growth of expenditure to which I have just referred, a special grant of 20 lakhs. for the further development of agricultural experiment, instruction, and research, has been provided in the present Budget, with the hearty approval of both the past and the present Financial Member.

"At present the money appears under the head of Imperial expenditure, because until we have ascertained from each Local Government what it considers to be its most immediate needs, and how it proposes to supply them, it is impossible to make a satisfactory allotment among the various provinces. We are consulting them upon the subject, and we are sending for their consideration suggestions drawn up by the Officiating Inspector General of Agriculture, and indicating the general direction which, in his opinion, development may most advantageously follow during the next few years. These suggestions, if adopted in their entirety, would cost considerably more than is at present available, and would in any case take several years to carry into complete effect; and the various proposals which they embody will naturally commend themselves to different Local Governments in varying degrees, and in different orders of urgency and importance. But we believe that the general proposals are on sound lines, and that they probably represent as great an advance as can wisely be attempted for some years to come.

"I will briefly indicate their nature. I do so with the more confidence, because there really seems to be very little difference of opinion about what is first to be done. We have been favoured with a great deal of advice lately in the public Press; and really, when reading some of the articles, I have almost wondered whether I had not written them myself, or whether they had not been compiled from notes already on record in my office,

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"Last year, when addressing this Council, I said—'What we want in India, and what I hope we shall never be satisfied until we get, is an experimental farm for each considerable area of which the agricultural conditions are distinctive, supplemented by demonstration farms in every district.' Mr. Sly's first suggestion, which would constitute an important step towards this ideal, contemplates 19 additional experimental farms of from three to five hundred acres each, so as to allow of seed production and distribution on a considerable scale, in addition to experimental and demonstration work. Six of these would be in cotton tracts, and three would be exclusively cotton farms, in charge of special experts. To these he would add, for the present, 100 demonstration farms of from 10 to 50 acres each, in charge of agricultural assistants, and with an inspector for each group of ten. Our second great need is to still further strengthen our expert staff, both Imperial and Provincial; for our present experts complain that their time is so fully occupied by miscellaneous references—all of them important in their way—that they find it impossible to settle down to the attack of really big problems. Mr. Sly, therefore, would strengthen the Imperial staff of experts by the appointment of five Agricultural Entomologists to deal with the groups of insects which are most important from the cultivator's point of view, of six experts specially acquainted with the scientific aspects of the cultivation or production of wheat, rice, cotton, sugar, tobacco, and silk respectively—indigo, jute, and tea being already the subjects of scientific enquiry, either wholly or partly at Government expense—and of five assistants and understudies to the Agricultural Chemist, the Economic Botanist, the Agriculturist, the general Entomologist, and the Mycologist—in all an addition of sixteen appointments to the existing staff. He would also give each province of importance a trained Agriculturist, an Agricultural Chemist, an Economic Botanist (with an Assistant in Bombay and Madras), a Mycologist, and an Entomologist of its own; a proposal which would entail 33 new appointments. I am afraid, *pace* the Hon'ble Mr. Gokhale, that we shall have to go outside India for most of our men; for I doubt whether India will be able to supply us with them. That we would willingly avoid this necessity, if we could do so without the sacrifice of efficiency, is shown by the fact that we are already training Indian Assistant Professors, instead of importing them ready-made from England; and I hope that the high education which we propose to establish at Pusa will in future enable us to maintain our establishment from local sources. But if that hope is to be fulfilled, we must start with a staff of the very highest efficiency. Our third great need is educational. Mr. Sly proposes to raise the Cawnpore and Nagpur Schools to the status of Colleges, to strengthen the staff of the Saidapet College in Madras, and to found new Agricultural Colleges in the Punjab and Bengal. Finally,

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he suggests a reform to which I personally attach the very greatest importance ; and I am glad to find that I have the Hon'ble Rai Bahadur Sri Ram with me in the matter. It has become apparent for some time past that, at any rate, in the larger provinces, the combined duties of the Directors of Land Records and Agriculture have grown into a burden heavier than one man can fairly be asked to support ; and if the scope of operations is to be enlarged on the very considerable scale which is now contemplated, it will become simply impossible for a single man to do justice to both subjects. Mr. Sly proposes, therefore, to appoint a separate Director of Agriculture in each of the larger provinces, on such arrangements as regards pay as shall secure the continuous services of a picked man for a considerable term of years.

“Nor, let me assure the Hon'ble Mr. Hare, have the cattle which form the main implements of husbandry been overlooked, for we have throughout construed ‘agricultural’ so as to include ‘veterinary’ progress, and the Civil Veterinary Department is intended to share in the 20-lakh grant. A memorandum, similar to that prepared by Mr. Sly, has been drawn up by the Inspector General of that Department, and will be forwarded to Local Governments. Our first need is to increase the number of Veterinary Assistants in charge of dispensaries, whether fixed or itinerating, who form the machinery by which the benefits of Veterinary science are brought to the door of the cultivator, and of the Veterinary Inspectors who superintend their work. Colonel Morgan suggests for the present an addition of 600 to the former and of 60 to the latter—a small enough number in view of the magnitude of the field of operations. But these men cannot be created ready made, and will have to be trained, a process which takes time. They will be employes of local bodies ; for their chief concern will be with the cattle of the people, and I regard it as essential, if the best work is to be got out of them, that they should be subordinate, not to Government, but to the local representatives. The resources of District Boards throughout the country are being largely supplemented ; and Local Governments can make them further allotments, if necessary, from their shares of the 20-lakh grant. To provide for this increase of establishment, and for its still further expansion, which I hope will continue until every tahsil in India has at the very least one fixed and one travelling dispensary, it is necessary to strengthen and enlarge our educational establishments at Lahore, Bombay, Calcutta, Madras, and Rangoon ; and this forms the subject of Colonel Morgan's second set of suggestions. He further proposes to increase our present cadre of provincial superintendents by four, so as to provide for the due supervision of the increased establishment. And he desires

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to strengthen our expert staff, with special regard to that bacteriological research which has become of such great importance in the prevention and treatment of disease, and the urgency of which has been strongly pressed upon us by the Committee of the Royal Society who are good enough to advise us upon these matters. He also proposes to devote special attention to the diseases of the camel—an animal which still plays a considerable part in the land traffic of India, and which is of great importance to us from a military point of view. Finally, he urges Local Governments to endeavour, by the creation of breeding farms for the supply of bulls, to improve the indigenous breeds of cattle, by substituting for the present promiscuous and haphazard methods, a system of careful crossing and selection.

“As I have already said, the programme which I have thus briefly sketched is an extensive one, and can only be worked up to gradually; while the particular lines of advance which will first be followed in the several provinces must depend largely upon local circumstances. But I hope that those of our critics whose object is assistance, and not mere fault-finding, will find themselves in general agreement with our proposals, and that they will accept our action as justifying the assurance which I gave them last year, that we were no less strongly impressed than they themselves could be, with the vital importance of the subject. I have, I fear, occupied the attention of the Council for some considerable time. But I think that they will forgive me in view of the magnitude of the interests involved, and of the extent to which public attention has lately been directed to them.

“There is one small point upon which I should like to say a few words; and I do so, not because the matter itself is of any real importance, but, because the explanation which I wish to offer has a bearing which extends far beyond the particular case to which it refers. When the Board of Agriculture which recently met at Pusa began its discussions, I found that it was proposed to communicate a somewhat full abstract of the daily proceedings to the public Press; and I immediately took measures to prevent this. It has been said—indeed I have myself been told—that the reason of my action was that the policy of a Local Government was criticised with considerable freedom during the first day's discussion, and that I wished to prevent the publication of such criticism. Nothing was further from my mind. I had heard nothing of the criticisms in question; indeed I do not even now know what they were; and my object in acting as I did was to promote, rather than to stifle, freedom of criticism. My desire was that the experts who were assembled with the express

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purpose of advising us, should feel at liberty to criticise our orders and action with the utmost possible freedom, and should tell us without hesitation where they thought we had gone wrong, and what they thought we ought to do. Now, I am happy to say that Government servants in India are imbued with a strong feeling of loyalty and of official propriety. And I felt, and still feel, that if these officers had known that what they said round the table today was to appear to-morrow in the morning papers, they would have been materially hampered in the free expression of their views. That result I desired to avoid.

“The principle upon which I acted has a very wide application. One of the peculiarities of our Indian system is, that almost every proposal of substantial importance is submitted, before a decision is arrived at, for the opinion of the great body of officers who are engaged in the practical work of administration in the districts, and upon whom will ultimately fall the duty of giving practical effect to our conclusions. The practice is no doubt a dilatory one; but to my mind it possesses advantages which far outweigh any delay that may result from it, since it keeps the Administration in close touch with the Executive, and ensures that general propositions shall be examined with special regard to their adaptability to the detailed machinery of Government. To secure the full benefit of the system, it is essential that officers, when advising the Government which they serve, should feel that they are consulted *quasi*-confidentially, and that they are not only at liberty, but are desired to express their opinions in the freest possible manner, and to support them by arguments and instances without reserve. But this they will never do if experience shows them that letters written by them for the information of Government, and without a view to publication, are liable to be published without their consent a few months or years later. And that is why I think that it is seldom desirable to publish such letters, at any rate on subjects not purely technical. Moreover, it is essential that one general rule should apply in the matter; since if one set of papers is published, while the publication of another is refused, conclusions are immediately drawn as to the nature of the latter which may be wholly unwarranted by the facts.”

The Hon'ble SIR ARUNDEL ARUNDEL said:—“My Lord, there are two subjects on which I should like to make a few observations. While appreciating the interesting character of my Hon'ble friend Mr. Gokhale's speech, I must express entire dissent from his view that the land-revenue can be regarded as a tax on the land in the same way as the taxes on land in the United Kingdom and in the other countries he refers to. The land-revenue, as the Hon'ble Member will, I hope, admit, is the money equivalent, converted at a

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favourable rate to the raiyat, of the share of the produce to which the State as landlord or overlord, as the case may be, is entitled. What would the landlords of India say, to whom the State has relinquished the whole or a part of its rights, if they were called on to forego the income they derive from their share of the produce? And would the Hon'ble Member apply his theory to the Native States of India and reduce the Chiefs to poverty, and their Administrations to impotence?

"The Hon'ble Rai Sri Ram Bahadur has commented on the small number of Indians employed in certain Departments of the public service as compared with the number of Europeans and Eurasians, and the Hon'ble Mr. Gokhale has discussed the Resolution of May 24th, 1904, on this subject. But in drawing these comparisons it must be remembered that almost all Eurasians and some persons of pure European descent are statutory natives of India and have no other nationality, and are legally entitled to be included in the category of Natives of India equally with Hindus, Mahomedans, Parsees and Burmans.

"Of the Departments mentioned by the Hon'ble Rai Sri Ram Bahadur the only one with which I have to do is the Police, but I may remark *en passant* that the *Opium and Salt Departments* have drawbacks through exposure, solitude and difficulties about food which affect the European and the statutory natives less than others. The majority of the *Customs* appointments are connected with the Preventive Service and respectable natives of caste and position do not care to board steamers and to be brought into contact with seafaring men. They are eligible for Appraiserships, and some of these posts are held in Bombay by Parsees, but no Bengalee has yet, I am informed, been found conversant with the business.

"In the *Mint* the Europeans are chiefly foremen and mechanics trained in England and qualified natives are as yet wanting.

"In the Government of India Resolution of 24th May 1904, which examined the question of the proportionate employment of Europeans and Eurasians as compared with natives of India, two principles were laid down. The first is accepted by the Hon'ble Member, and his expression of it, which is wider than that of the Resolution, is that the Europeans 'should guide and control the affairs of the country;' this being in his opinion 'essentially necessary for its good government.' The second principle is, in the words of the Resolution, that the Government shall, outside the *corps d'élite*, as far as possible and as the improving standards of education and morals permit, employ

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the inhabitants of the country, both because its general policy is to restrict rather than to extend European agency, and because it is desirable to enlist the best Native intelligence and character in the service of the State.

"Now, it so happens that as regards the Police, the only department named by the Hon'ble Member with which 'I have to do, the Resolution published last Tuesday gives a good illustration of a practical application of this second principle. In carrying out the reorganization of the Police it is intended to appoint 219 Deputy Superintendents whose duties and departmental status will be the same as those of Assistant Superintendents, and the salaries will rise from R250 in 4 grades to R500. These 219 posts are intended to be filled by natives of India, and, subject to approved fitness, selection from among them will be permitted for the post of District Superintendent. I hope that these arrangements, though adversely commented on by the Hon'ble the Maharaja of Darbhanga, will be welcomed by the Hon'ble Members whose criticisms I have referred to."

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES said:—"My Lord, I propose to make a short explanatory statement regarding the Reorganisation and Redistribution scheme framed by the Commander-in-Chief, the details of which are now under the consideration of Government. The main lines of that scheme have been given by the Hon'ble Mr. Baker in his note; they are—

- (1) the formation of nine peace divisions (excluding Burma) which each furnish a war division on mobilisation as well as the troops for internal defence ;
- (2) the regrouping of the troops so as to bring them nearer the North-Western Frontier ;
- (3) the increase of the Field Army from four divisions and some extra troops numbering 81,000 to nine divisions numbering 139,000, excluding Imperial Service Troops in both cases ;
- (4) the provision of mobilisation equipment, including transport, for part of the existing Field Army and the extra divisions of the Field Army and stores and equipment for their maintenance in the field.

"In regard to the main features of the scheme I may say that Local Governments and the chief political officers were consulted last year and with trifling exceptions accepted them, including the contemplated use of the reorganised police force to aid in the maintenance of internal order.

"It will be readily understood that the great increase in the Field Army will entail a large outlay if it is to be kept ready for mobilisation, but apart from this there are several measures the cost of which are included in the general expenditure of 15 crores contemplated but which are not really an essential feature of the scheme and would have had to be taken up apart from it.

"The main item of expense of this class is the rearmament of the Field Artillery with quick-firing guns entailing a total cost of $2\frac{1}{2}$ crores. This seems a very large amount, but the cost is swollen owing to each gun now requiring three wagons instead of one, due to increased expenditure of ammunition with quick-firing guns. The next heavy item is the increase necessary to our reserves of field gun and small arm ammunition due to the experience gained of the enormous expenditure of both natures in the present Russo-Japanese war. There is further the necessity for providing for the heavy replenishment of ammunition in the field by manufacture at a rate not hitherto contemplated, and we have consequently decided to extend the Cossipore Shell Factory to meet the demand for gun ammunition during war. The third heavy item of expenditure is due to the necessity for increasing the number of horses with our field artillery owing to the increase of wagons and also to the provision of larger ammunition columns. These three items hang together and would be necessary apart from the Commander-in-Chief's scheme proper. The next large item will be the maintenance of an increased number of transport corps and a larger reserve of remounts due to the increase of the field army. The fifth item will be a considerable increase to the number of officers in the Indian Army which cannot now furnish sufficient regimental officers to allow for the inevitable wastage under the modern conditions of warfare.

"There remains the Building programme due to the necessity for redistributing the Army. The present distribution is practically based on the outcome of the Mutiny and is unsuited to existing conditions and the increased facilities of railway communication; the necessity for the measure has long been felt, but from various causes—mainly financial—it has been recognised that the time was not propitious.

"Apart from the above causes it has become desirable to bring up more native troops from Southern and Western India towards the Punjab, because in many cases the local regiments have been reconstituted from Northern races and it is both politic for recruiting and also economical to quarter regiments nearer their homes. Government fully recognise that it is unwise to show undue haste in pushing on the programme, in fact it is still being worked out by the

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Commander-in-Chief as there are many questions to be examined. It will receive the fullest consideration of the Government of India before acceptance in view to obtaining the desired result at the smallest cost. Finally there are some minor additions to the Army, such as mounted infantry battalions, mountain batteries, railway companies, *et cetera*, involving recurring expenditure, but no final decision (except for an increase of one Railway Company) has yet been come to in regard to them. In any case their formation would be postponed to the last year of the scheme to minimise the expense.

"It will be understood that in questions affecting mobilisation the military authorities are unwilling to publish more details than is absolutely necessary, and the Members of this Council will not, I am sure, press us for information which it would be undesirable to give.

"In regard to the general financing of the scheme the Government of India are convinced of the necessity for increasing the Field Army and have the full approval of His Majesty's Government. Government consider themselves most fortunate in being able to finance the scheme without pressing on the tax-payer owing to the great prosperity of this year and the good prospects for next year. Suggestions have been made that the scheme should be financed by a loan. So long as the revenues of the country are sufficient not merely to bear the heavy administrative charges that have been placed upon them, but also to admit of two great reductions of taxation in two years, it does not seem unreasonable that we should pay with the means that we possess instead of saddling future generations who will doubtless have calls and burdens of their own.

"I would acknowledge the moderation of the Hon'ble Sri Ram's remarks, but I must take exception to the remark that military expenditure has a disturbing influence on the finances. I cannot see how the Hon'ble Member's contention can be maintained when it has been met from revenue accompanied by reduction of taxation. The Hon'ble Mr. Gokhale has made his usual and sweeping denunciation of the increase in military expenditure and has pressed the question of enforcing Imperial responsibility for the cost of our measures. This is a task which I am afraid is beyond our power, and the Hon'ble Mr. Gokhale must try and have it fought out on the floor of the House of Commons, but I am afraid it will be hard to convince the British tax-payer that he should pay."

HIS HONOUR THE LIEUTENANT-GOVERNOR said :—"My Lord, I do not consider it necessary for me ordinarily to occupy the time of this Council by

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taking any considerable part in this Budget discussion; and I have therefore only two remarks to make. In the first place, I desire to congratulate my Hon'ble friend Mr. Baker on the Budget itself, on the manner in which his Financial Statement has been made, and on the favourable reception which it has met with from the Council and from the country generally.

"In the second place, I think that it might seem ungracious in me, were I altogether to omit to give expression to the thanks which the Government of Bengal owes to Your Excellency's Government for the careful and sympathetic consideration which has been given to the needs of this province, as indicated in some of the provisions of the Budget. We gratefully acknowledge the substantial assistance given to District and Local Boards; the promised help for agricultural improvement and the co-operation in respect of protective irrigation; the sorely needed grant for primary education, which is in some respects more backward in Bengal than anywhere; and the liberal allotment towards the inauguration of the important police reforms which have been decided to be necessary.

"I think that there must perhaps necessarily be some difficulty in getting the Government of India to appreciate local needs and that Your Excellency's Government has been more ready to recognize the needs of Bengal than some of your predecessors. It is therefore with no envious eye that I see a similar appreciation of special local needs in the settlements which have been concluded with the Governments of Bombay and the Punjab, on which I venture to congratulate Your Excellency's Government".

The Hon'ble MR. BAKER said :—"Before replying to the remarks of Hon'ble Members, I should like to express the acknowledgments of the Government of India for the congratulations which have been addressed to us in regard to the Budget. Personally, I have no claim whatever to share in those compliments, for the state of our finances, which rendered the Budget possible, had been assured long before I assumed charge of my office from my predecessor. Indeed, if credit is due to any one person for what it has been possible to do on this occasion, that person is, I think, Sir David Barbour, whose courageous and far-sighted measures of twelve years ago sowed the seed of which we are now reaping the fruits.

"I do not propose to follow each individual speaker through the details of his address. Some of the subjects discussed do not fall within my province to deal with. Others are not of sufficient importance to call for individual reply.

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" But there are three features which stand prominently out from the discussion as a whole.

" Firstly, there is a general expression of approval of the measures which we have decided to adopt both for the remission of taxation and for the improvement of the civil administration.

" Secondly, we are invited to incur large additional sacrifices of revenue in order further to lighten the burden of taxation on the land.

" Lastly, vigorous dissatisfaction has been evinced at the growth of the military charges and of the decision that the whole cost of the Tibet Mission should be debited to India; and the opinion has been expressed that, if these charges are unavoidable, the United Kingdom should be called upon to contribute towards them.

" I shall make some remarks upon each of these matters and shall then offer a few observations on certain other points that have been raised by some of the Hon'ble Members.

" Turning then to the first of the three points which emerge from the observations of Hon'ble Members, it is a source of gratification to us to find that the fiscal measures which we have decided to adopt, both in respect of the remission of taxation and increase of civil expenditure, have been so favourably received. In particular, it is satisfactory to find that general approval is expressed of the further reduction of eight annas in the salt-tax. I take note of Mr. Cable's doubt whether the remission of duty has really reached the retail consumer, and whether it is not in fact a sacrifice of revenue which benefits no one except the middleman. I have heard similar doubts expressed in other quarters. One gentleman, who is in a good position to form an opinion, has gone so far as to suggest that if the Government of India were to abolish all taxation on salt and to withdraw from all interference whatever with the trade, the average retail consumer might actually have to pay more for his salt than he does now. It is true that in the United Kingdom, where salt is untaxed, the retail price for small quantities is often a penny a pound, equivalent to Rs. 5 a maund, and that this rate exceeds anything ordinarily found in India, even in Assam. But it seems to me unprofitable to discuss hazy conjectures of this kind which there is not the remotest likelihood of realizing. Last year, we made certain enquiries in order to ascertain what had been the actual effect on prices of the reduction of duty made two years ago. The result of these was stated by Sir Edward Law in paragraph 41 of the Financial Statement. This year we have

made similar enquiries, but I cannot say that they carry us much further. I fear that the attempt to prove a reduction of price by direct evidence must be given up. But we can arrive at the desired end in another way. After all, prices are only important as an index of consumption; and we have full and complete figures for the latter. I have taken out the figures of issues of salt in India, excluding Burma, for each year since 1882, when the duty was made uniform throughout India. I have arranged these in groups of three periods. The first of these extends from 1882 to 1888, during which the duty was Rs. 2 a maund. The average increase in consumption during these six years was 668,000 maunds a year. The second period extends from 1889 to 1903, during which the duty was Rs. 2-8 a maund: and the average rate of increase fell to 272,000 maunds a year. The third and last period includes only the two years 1903-1904 and 1904-1905 following the reduction of the duty, and during these years the average increase has risen to 1,270,000 maunds a year. The rise was greater in the latter than in the former year.

"Now, I readily admit that a term of two years is not sufficiently long to enable us to draw any very positive conclusions. But when we find that an increase of duty in 1888 was followed by a substantial reduction in growth of consumption, and that an equal remission of duty in 1903 has, so far, been followed for two years in succession by a very large increase, I think we are justified in regarding it as at least presumptive evidence of a connection between duty and consumption. I recognize the justice of Mr. Cable's suggestion that the increase of consumption may in part be due to the same cause as that which has enabled us to reduce the duty, *viz.*, the general prosperity of the country. But I am disposed to think that the difference in the rates of growth is too great to be fairly explained in this way. If the rate of development should now be found to continue for a further series of years, I think we shall be on sure ground in holding that the reduction of duty has really penetrated to the mass of the population. In any event the reduction in duty which is being made now cannot fail to make the reduction of 1903 more effective.

"While on this subject, I should like to observe that I do not share the view that the salt-tax, even when levied at a higher rate than at present, presses with appreciable severity on the people. A fall in retail price may perhaps result in more salt being supplied to cattle, and if that is the case it is undoubtedly beneficial. But so far as the people themselves are concerned, I am disposed to think that increased issues of salt merely mean increase of waste. There is a well-known story of a great manufacturer of mustard, who is reported to have said that he made his money, not from the mustard which people ate,

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but from that which they left on their plates. Similarly with salt, a cheapening of price will probably mean, not that people will actually eat more, but that they will be less thrifty and careful with that which they buy. The feature which specially commends itself to me in the reduction of the duty is the large and valuable financial reserve which it lays by for a lean year. That reserve is now about $3\frac{1}{2}$ crores a year, and will be of the greatest value in the event of an emergency.

"I now turn to the measures which various Hon'ble Members have commended to our notice with the object of relieving the agriculturist. These are three in number.

"In the first place, the Hon'ble Rai Sri Ram has put in a plea for a reduction or abolition of some of the local rates and cesses imposed on the land. The Talukdars of Oudh apparently share his views in this respect. I do not propose to discuss any questions as to the incidence of these cesses, whether absolute or relative. This was fully considered in the Resolution of the 16th January 1902, where it was shown that the only Provinces where the incidence exceeded 10 per cent on rental (or raiyatwari revenue) were Sind ($12\frac{1}{4}$), Madras ($10\frac{3}{4}$), and Coorg ($13\frac{1}{2}$). But I shall, I think, be able to show that after all they offer a much more limited field for the shears of remission than is commonly supposed.

"I have had a statement prepared showing the whole of the local rates raised from the land in the various principal provinces, according to the Revised Estimate of 1904-05, and the proportions in which the aggregate amount is divided between District Boards and Local Governments. The whole sum amounts to 4,24 lakhs of rupees.

"From this, however, we must deduct 32 lakhs, which represents the rural Police-rate levied in Agra and Oudh. These are the only provinces in which the village-watch is paid by a cess of this nature, and for purposes of comparison it must be eliminated. This leaves a sum of 3,92 lakhs. Of this, 2,31 lakhs goes to the District and Local Boards throughout India, and forms the backbone of their income. Now it is absolutely certain that there is no room for reduction here. On the contrary, it is well established that the resources of the Boards require to be strengthened if they are to discharge their duties efficiently, and our proposal to grant them a subvention from general revenues has been received with general approval today. Excluding this item there remains a sum of 1,61 lakhs, of which 75 lakhs are an asset of Provincial revenues, and 86 lakhs represent the proceeds of the cesses levied for village-officers, patwaris, and the like. Of the former sum we have already announced the

remission of the famine-cesses in Northern India amounting to 23 lakhs. The remaining 52 lakhs represents the Public Works Cess which is levied in Bengal. Now it is well known that in consequence of the permanent settlement, the land in Bengal pays very much less proportionately than in any other part of India, and no question of reducing the rate could be contemplated without injustice to other provinces. I am a Bengal officer myself, and yield to no one in my sympathy for and loyalty towards my own province. But I cannot honestly admit it has any claim whatever to a reduction of its burdens on the land. The only item that remains is the 86 lakhs levied on account of patwaris and village-officers. I will not now refer to the history of the patwari-cess in the United Provinces, though that throws grave doubt on the reality of the benefits to be derived by the cultivating classes from the abolition of the cess. But even if, for the sake of argument, it be admitted that it would be an ideal system to impose no local rates at all on the land except those levied by or for the local authorities—and this is a very large assumption indeed—yet it is manifest that such a measure, when carried out to its fullest extent, would only carry relief to the extent of 86 lakhs a year divided among a population of 81 millions, or about one anna and eight pies a head.

“To carry this out on the present occasion, we should have had either to restrict the reduction of the salt-tax to 4 annas a maund, or to withhold the subvention of 56 lakhs a year to the District Boards and the grant of 35 lakhs for primary education. When it is further remembered that it is extremely doubtful how far the remission would reach the cultivating classes at all, I think it cannot reasonably be doubted that our choice was the better one.

“The second suggestion emanates from the Hon’ble Mr. Bose, who has asked that on some future occasion some relief may be accorded to the agricultural classes by reducing the maximum limit of assessment to land-revenue.

“The request is put forward with characteristic fairness and moderation, and I think there is nothing in what Mr. Bose has urged that is inconsistent with the policy laid down three years ago in the great Resolution of the 16th January 1902, which is the *locus classicus* of the Government of India in respect of the land-revenue administration. It was there demonstrated that progressive moderation is the keynote of the policy of Government, and that is really all that the Hon’ble Member virtually asks.

“The Resolution on assessments will very shortly be supplemented by orders laying down definite and liberal rules in regard to remissions and

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suspensions. The present Budget contains abundant evidence of the policy of Government in this respect.

“It is of course possible that in particular areas or districts there may be individual cases in which the intentions of Government have not been given full effect. If any well authenticated cases of this kind should be brought to light, they will receive the earnest and sympathetic consideration of the Local Government and the Government of India. But so far as general rules or principles are concerned, the policy of Government and that advocated by the Hon'ble Member are identical.

“Mr. Gokhale has put forward somewhat startling proposals for the wholesale reduction of the State demand on the land and the composition of agricultural debts. It is, of course, impossible to consider so far-reaching and even revolutionary a project in the present debate. I express no opinion whatever on the Hon'ble Member's scheme itself, one way or the other. But I must at once challenge certain of the premises on which it is based.

“In the first place the Hon'ble Member states that we have an assured excess of $7\frac{1}{2}$ crores of revenue over expenditure. I sincerely wish that were really the case! But the Hon'ble Member includes in his figure $2\frac{1}{2}$ crores of rupees on account of the profits on coinage which must be kept sacred for preserving the stability of exchange and which are not revenue at all. He also includes $3\frac{3}{4}$ crores which are allocated for the reorganization of the Army and certainly cannot be diverted to any other purpose. The true excess is less than one million sterling. So far from being in excess of requirements, it is all too small in view of the uncertainties of Indian finance.

“Secondly, as the Hon'ble Sir Arundel Arundel has already pointed out, the Hon'ble Member's comparison of the incidence of taxation on the land with that in European countries as given by Mulhall is wholly vitiated by the fact that land-revenue in India includes what is called rent in other countries. The two sets of figures are not *in pari materia*.

“Thirdly, I do not admit that the raiyat has been injured by our currency legislation. I understand that his savings are not in *silver*, but in *rupees*, and these have certainly not been diminished in value. And prices are not *lower* now, but substantially *higher*, than they were before the Mints were closed. It may interest the Hon'ble Member to know that the index number of Indian rupee prices for the three years 1901—03 is 105, whereas that of the quinquennium 1881—85 was 91, that of 1886—90 was 95, and that of 1891—95 was 102.

"I now turn to the question of our military expenditure. As regards the amount of this, and its growth of recent years, I do not propose to add anything to what has been said by my Hon'ble Military Colleague, beyond saying that I wish, as earnestly and sincerely as any of the gentlemen who have addressed us today, that it were possible to keep it at a lower figure.

"But when Hon'ble Members go on to argue that if the expenditure is really unavoidable, the United Kingdom should be called upon to share it, or that because the final decision in respect of Tibet was governed in part by Imperial considerations, therefore the Home Government should bear the cost, I must point out that the question is by no means so simple and obvious as they seem to suppose. In former days the question of the charges imposed upon India on account of military expeditions beyond the frontier was in a fluid state and the practice was far from satisfactory. This matter was very carefully considered by the Welby Commission a few years ago, and the latter, on the advice of Lord Northbrook, drew up a set of principles to guide the apportionment of such charges for the future. These principles, which were accepted by the Home Government without modification, rested mainly on geographical considerations. They have governed the distribution of the charges on all cases which have arisen ever since; and in accordance with them, there is no doubt whatever that the whole cost of the Tibet Mission was properly debitable to Indian revenues. But neither the recommendations of the Welby Commission nor their acceptance by Government implied for one moment that in cases in which the whole cost fell to be borne by India, the Indian Government was to have an exclusive voice in the determination of questions of policy arising in connection therewith. The authority empowered to decide such questions and the considerations by which they were to be governed remained wholly outside and unaffected by the mere formulation of rules for the apportionment of cost. The position of India as a subordinate member of the Empire was not altered in any way, and she was not, and never can be, emancipated from the final control of the Supreme Government. Such a proposition could not be affirmed even in respect of the internal administration of the country; still less could it be maintained in respect of military affairs or foreign policy. And I find it difficult to believe that the gentlemen who clamour for a contribution from the Imperial Exchequer would really welcome the converse case, or whether they really desire that the Government of India should have a free hand, uncontrolled by the authorities at home, in all cases in which she foots the bill.

"There is plenty of room for difference of opinion as to the proper allocation of the military charges of the Empire. All of us in this Chamber would

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gladly welcome any sound solution which would afford relief to Indian revenues; but the problem is extremely difficult and complex, and I doubt whether it can be settled in a piecemeal way, or whether the grant of a subvention by the mother country to one of its dependencies would carry us any appreciable way towards a settlement. It might perhaps be strictly logical that each member of the Empire should pay the whole cost of maintaining internal order within its own borders, and that all the rest of the military and naval expenditure of the Empire—*i.e.*, possibly nine-tenths of the whole—should be pooled, and divided up among the various members according to some rule of proportions. That might perhaps be logical: but it would involve the subversion of the whole constitution of the Empire, and unless that contingency should come about it is of little use to suggest a partial and one-sided application of the rule to a single dependency. Nor is it by any means certain that even if strict logic were applied, India would eventually pay less than she does now. People sometimes forget, I think, that the Home Government bears the entire cost of the navy, which amounts to 35 millions sterling a year. India's contribution to this is a trifle of £100,000. If we once apply the principle of pooling the cost of national defence, this exclusion could not possibly be maintained: and though I have no idea how much of the whole might fall to our share, it is at least conceivable that the net result might be a heavier charge than the £21,000,000 which we now bear.

"The Hon'ble Sir Edmond Elles has referred to the suggestion that we ought to have borrowed the funds for carrying out the reorganization of the Army, instead of providing them from current revenue. I am surprised at this criticism, which is the exact opposite of what I should have anticipated, and has, I think, been made under a misapprehension.

"The cost of the scheme may be divided into two parts, *viz.*, that which involves recurring expenditure, and that which represents its initial cost. Now it would clearly be inadmissible to borrow on account of recurring expenditure, and the Government of India have never contemplated such a course, which is inconsistent with the dictates of ordinary prudence. As regards the initial cost, the position is different. If necessity should arise, we shall be prepared to borrow to meet this: but we should only do so in case of urgent necessity, for it would involve a reduction in the funds available for railway construction and canals. The borrowing power of the Government of India is not inexhaustible. On the contrary, it is strictly limited, and if we apply part of our credit for unproductive purposes, however necessary, such as the

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improvement of the Army, so much the less remains for financing productive works, on which the development of the country so largely depends. We should be most reluctant to curtail the grants for capital expenditure on these important and profitable works, and we shall not do so unless political or military considerations of an urgent character impel us to do so.

"There are two points in Mr. Cable's speech to which I should like to refer. The first of these is his suggestion that in view of the possibility that consols might not be easily saleable except at a loss in the event of international complications, it would be desirable, when the Gold Reserve Fund exceeds 10 millions, to invest one-half the excess in other sterling securities, and to keep one-half in gold. As to this I may mention that we do already invest part of the Fund in other sterling securities such as National War stock and the guaranteed Transvaal loan. As regards the holding of any part of it in gold uninvested, I adhere to the view expressed in paragraph 64 of the Financial Statement that it would be premature to consider the question at present. Though the rapid growth of the Fund has been extremely satisfactory, it still amounts to less than 9 millions sterling. I should like to see it raised to such a figure as would enable us, in the event of extreme and continued emergency, to reduce the Secretary of State's drawings by one-half for three years in succession, *i.e.*, to something between 20 and 30 millions sterling. No doubt a good deal less than this would suffice for all practical purposes, but we certainly want a considerably larger sum than we have yet accumulated. Therefore, our present policy should be to let it multiply at compound interest. I think Mr. Cable would pay too high a price for the greater security of gold as compared with consols. After all the contingency of consols being unsaleable is a remote one. At present rates, our investment doubles itself automatically in less than 28 years. So that even if the time when we had occasion to use it happened to coincide with international complications which reduced consols to a discount of 50 per cent, we should not lose unless this happened oftener than once in 28 years. As a matter of fact consols have not been in the neighbourhood of 50 since the early days of the Crimean War more than fifty years ago.

"The other point in Mr. Cable's speech to which I wish to refer relates to railways. Mr. Cable takes exception to the practice by which the annuity payments on purchases of the old guaranteed lines are charged against current account, and he argues that this is debiting capital expenditure to revenue. I am in entire agreement with the Hon'ble Member that it is wasteful, and

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unsound finance to construct, improve or purchase railways out of revenue, more especially since our railway property has become remunerative and imposes no burden upon any one. But in respect of these particular payments, I think there is a good reason for the course we pursue. It was decided to purchase the lines in question by means of a terminable annuity or sinking fund, instead of by a cash payment, for the sole reason that under the terms of the contracts that method was the more profitable to Indian revenues. Then, having decided to effect the purchase in this way, it necessarily followed that the sinking fund payments must be defrayed out of revenue, for a sinking fund chargeable against capital is a costly sham, and almost a contradiction in terms.

"I heartily agree with the Hon'ble Member that the interests of the country, industrial and agricultural, demand a more vigorous policy of railway construction, and for a long time past our energies have been taxed to devise some means of providing the funds. I fear that the Hon'ble Member's suggestion to treat the net earnings of our railways as collateral security against loans for the construction of new lines would not really assist us: for the security we already offer for all loans is that of the whole revenues of India including the railway earnings, and the greater includes the less. My personal belief is that the profitable nature of our railway property is now sufficiently assured to justify us in entering the market more boldly. Even though we have to pay a little more for our loans than we do now, it would be well worth our while to do so, so long as an ample margin is left between the rate at which we can borrow and that which our railways yield. At the same time it must be clearly understood that the vast outlay which the Hon'ble Member has mentioned is quite beyond the pale of practical politics. As I said just now, the credit of India, so far from being inexhaustible, is extremely limited: and if in any year we are able to raise one-tenth of the sum named by the Hon'ble Member, we shall have obtained as much as the market is likely to give, or our Engineers be able to spend.

"Mr. Gokhale has put forward an urgent special appeal on behalf of the municipalities in Bombay which have been seriously crippled by plague, and asks us to write off the outstanding balances of the loans which they have received from Government to meet plague charges in the first instance.

"I will admit that I feel considerable sympathy with the municipalities in Bombay which have been very hard hit by the long-continued ravages of plague. It might no doubt be said that Government has done a good deal for them

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already, for it has borne approximately one-half of the whole expenditure incurred on plague in these municipal areas, and has given loans on liberal terms to cover more than half the remainder. It might also be said, and truly, that the *ex post facto* writing off of a loan is a demoralising and insidious form of aid which is open to considerable objection in itself. But I prefer not to take that line. Government freely recognizes that cases may arise in which the resources of a local body may be so disordered by some great unavoidable calamity that it becomes no longer able to discharge its legitimate functions; and in such cases it is both justifiable and necessary to grant aid from general revenues. Whether in any of the Bombay municipalities things have actually come to such a pass as to call for further assistance in addition to that which has already been given is a question for the Local Government to decide. And my reply to Mr. Gokhale therefore is that his appeal should be addressed to the Local Government rather than to the Government of India. In other provinces, assistance to municipal bodies has not infrequently been given, for special reasons, from Provincial revenues: and I imagine that the chief reason why this has not been done in Bombay is that during the last four or five years the Local Government itself has been in deficit, and has had no funds for the purpose. Now, however, that a new and favourable Provincial Settlement has been made with that province, we hope that the era of Provincial bankruptcy has passed away, and I do not doubt that the Bombay Government will now have the will, as it will have the means, to extend to its local bodies the same measure of assistance as is recognized as permissible elsewhere. The general principles which govern grants-in-aid of municipal bodies have been laid down by the Government of India and are as applicable in Bombay as in other provinces.

"Mr. Gokhale has commented at some length on the growth of our civil expenditure, and has deprecated the practice of accumulating large surpluses which, as he says, are applied to the reduction or avoidance of debt.

"There are some features in his method of presenting the case to which exception might easily be taken. For instance, it is wholly incorrect to describe the profits of coinage, payable to the Gold Reserve Fund, as 'revenue' or as being 'taken from the people.' They are neither the one nor the other. Again, when he says that the cost of collecting the revenue has risen by nearly a million sterling between 1901-02 and 1904-05, he apparently forgets that the figures of the latter year include more than 44 lakhs on account of Berar, which do not enter into those of the former. He has also apparently omitted to observe that over

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55 lakhs of the increase occurs under Opium in the form of payments to cultivators for the raw product, and merely indicates that the crop of last year was a better one than that of 1901-02. These two items alone account for more than two-thirds of the increase of which the Hon'ble Member complains. Again, the Hon'ble Member makes the remarkable statement that, even if we were to borrow 15 crores to carry out the reorganisation of the Army, our debt would still be 21 crores lower than it was in 1898! I sincerely wish that this were the case. Unfortunately, it is absolutely without foundation.

"But we may let that pass. The Hon'ble Member's main contention is that during the past seven years we have devoted $36\frac{1}{2}$ crores of rupees out of revenue to reduction or avoidance of debt, and he regards this as unsound in theory and indefensible in practice.

"I think his figures are not quite accurate. During the seven years in question I find that we have spent $47\frac{1}{4}$ millions sterling on railways and canals. During the same period we have borrowed $31\frac{1}{4}$ millions in all, of which $5\frac{1}{2}$ were applied to discharge of temporary debt, leaving our net borrowings at $25\frac{3}{4}$ millions. The excess expenditure on productive public works was therefore $21\frac{1}{2}$ millions sterling or $32\frac{1}{4}$ crores of rupees, and this happens to coincide with the aggregate amount of our surpluses during the period in question. It would be substantially, though not theoretically, correct to say that these surpluses have been applied to the construction of railways and canals. It is not, however, at all correct to say that they have been applied to the reduction or avoidance of debt. As a fact, debt has not been reduced; and it cannot be said that it has been avoided, for it is practically certain that, if the surpluses had not been available, we should have been compelled rather to curtail our railway programme than to attempt to raise larger sums in the loan market.

"I said just now that it is unsound and wasteful to construct railways out of revenue: and if that is what the Hon'ble Member means to convey I am in complete accord with him. But I should like to expand my statement a little in order that there may be no misunderstanding in the matter. It would be wrong deliberately to maintain taxation at a higher level than we otherwise require in order that the revenue thus obtained might be devoted to direct railway construction. But when a surplus actually accrues either from a fortunate windfall or from sources the continuance of which is not assured, then I think no more advantageous use for it can be found than to devote it to the construction of remunerative public works. When a surplus accrues in either of these two ways, we

cannot apply it either to reduction of taxation or to increase of permanent expenditure, for the obvious reason that it represents an isolated asset, and not recurring revenue. It so happens that a large part of the surpluses of the past seven years has been of this character. The sale price of Bengal opium has averaged ₹1,303 a chest, whereas past experience shows that no more than ₹1,100 can be reckoned on with safety as even approximately permanent. This accounts for 7 crores of the whole. Again, the net railway receipts have aggregated about 7 crores more : and it was not until last year at the earliest that we could safely reckon on a surplus instead of a deficit from this source. These two items account for 14 out of the 32 crores in question. A great part of the remainder represents no more than the normal margin of safety for which it is only common prudence to provide in all circumstances and which is doubly necessary in the special conditions of Indian finance. If anything further remains, I would remind Council that in every well administered country the remission of taxation and the development of civil expenditure always follow, and never precede, the expansion of the revenues which renders them possible. That is especially the case in India, where constant ups and downs in the matter of taxation are open to very serious objection. During the seven fat years that have passed, Your Excellency's Government has already remitted taxation to the extent of 2 crores per annum, and at their close you have remitted 2 crores more. In my humble judgment, it would not have been safe or prudent to move more rapidly than has been done. Two years ago the English income-tax was reduced by 4*d.* in the £, and a year later this was followed by the increase of the tea-duty to 8*d.* a lb. This is an object-lesson of the danger we incur in the premature remission of taxation.

"There is a subject to which only one Hon'ble Member has referred, but which has attracted a good deal of public attention of late, and which is so important in itself that no apology is needed for alluding to it. I mean our excise administration.

"It is a common allegation that drinking is on the increase, that undue weight is attached by Government to considerations of revenue, and that insufficient attention is paid to the promotion and preservation of temperance.

"By constant and varied iteration these charges have come to attain some degree of general acceptance, and, if they were well-founded, they would undoubtedly constitute a grave indictment of our excise policy and a dark blot on the administration of the country. We have, therefore, been at some pains to ascertain the actual facts, and I propose to lay the results of our enquiries before the Council.

"The misapprehensions into which our critics are apt to fall are, I think, due partly to the restricted scope of their observations. They commonly

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regard only the variations that occur from year to year; and they forget that unless their comparisons are extended over a sufficiently lengthy period of time, the real trend of our policy is obscured by the ebb and flow of transitory and accidental fluctuations. In part also the error is due to their taking the figures in the lump without close examination or analysis to ascertain what they really signify. I now propose to deal with the excise on country liquor. This is by far the most important item of our excise system. It yields very nearly as much revenue as all other exciseable articles put together; it is that which affects the mass of the population far more than any other: and it is, I think, that which temperance reformers commonly have in their minds when they speak of our excise administration. I propose to take a period of twenty years, from 1883-84 to 1903-04, and to lay before the Council briefly an account of the progress which has been made in that time.

"Before presenting the figures, I wish, in order to avoid overstating the case, to offer a brief explanation. For the most part, the figures relating to the earlier year 1883-84 represent actually recorded facts. In a few quite minor matters, however, the information required was not on record, and it has been necessary to supply its place by estimates framed on the best data available. These are as accurate as they can be made, and they are also quite unimportant; but in order that no one may be able to charge us with substituting doubtful assumptions for fact, I shall be happy to furnish any Hon'ble Member who may desire it with an exact statement showing the assumptions made and the data on which they are based. Finally, I would explain that our figures are exclusive of Aden, Burma and Baluchistan, for which it has not been possible to obtain full comparative statistics.

"I now lay on the table three statements* which show for each of the two years 1883-84 and 1903-04, the area and population served by the distillery and outstill systems respectively, the consumption of country liquor in the distillery areas both in gross and per 100 of the population, the revenue obtained under each system, the number of shops under each system and the number per 100,000 of the population, and the number of square miles per shop.

"I do not propose to read out the whole of these statements to the Council, but the broad results may be stated very briefly. They are sufficiently striking. During the past twenty years, we have transferred 132,000 square miles of territory from the outstill to the distillery system, *i.e.*, from an admittedly bad system to a better. Twenty years ago, 54 per cent of the whole excise area was served by outstills; at the present time, the proportion is only 35 per cent. Twenty

* *Vide* Appendices D, E & F.

years ago 53 per cent of the whole population was supplied by outstills; now-a-days the percentage has shrunk to 29 per cent. The number of shops per 100,000 of the population has been reduced by 30 per cent, and the number of square miles served by each shop has been increased by 40 per cent. Still more striking and even more important are the figures of consumption. As is well known, there is no means of ascertaining the consumption under the outstill system. That is one of the many bad features of this system. But in the distillery areas, for which information is available, we find that twenty years ago the consumption per 100 of the population was 4·95 gallons London proof, whereas by now it has been reduced to 4·06 gallons, a reduction of 18 per cent. On the other hand, the taxation imposed on the liquor has been raised from Rs 2-10-7 per gallon to Rs 4-7-8, or by no less than 68 per cent. It may be that figures of consumption per 100 of the population do not convey a clear idea of what the consumption really amounts to. I will therefore put it in another way. A consumption of 5 gallons L. P. per 100 of the population means that every woman and child would be a total abstainer, and that every adult male over the age of 20 would be able to have a tot of rum or a small glass of whisky once in three weeks. It would be an abuse of language to describe this microscopic consumption as an actual or even a potential danger. But such as it was it has been substantially reduced during the last twenty years. While the women and children are still abstainers, the adult males now have to go without their liquor altogether for more than two months out of every twelve.

"I venture to think that these figures constitute a record of which the Government of India need have no cause to feel ashamed. They certainly lend no colour to the belief that in our greed for revenue we are stimulating the consumption of drink. I am far from suggesting that our existing arrangements are in no need of reform. But I may fairly claim to have shown that during the past twenty years we have changed them not for the worse but for the better, and I submit that that is the best augury for the future.

"At the present moment we are not resting with our hands folded. Last year, an expert Committee was appointed to examine the excise arrangements in the Central Provinces and Berar. This Committee has recently submitted a very valuable report advocating extensive reforms throughout the provinces, and steps are being taken to give effect to them without delay. In Bengal the Lieutenant-Governor has recently formulated proposals for a wholesale reduction of the area under outstills, and the introduction throughout the province of a distillery system mainly on the lines of that which has proved so successful in the province which Mr. Sim, with pardonable pride has called the Mecca of

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Temperance. Part of this programme will be carried out with effect from next month, and the remainder either in the following year or as soon as the necessary arrangements can be completed. In the United Provinces reforms on somewhat similar lines are now under consideration. In Assam, the preventive and inspecting staff has been substantially strengthened, and the introduction of the distillery system has been undertaken in one district as an experiment. A further measure which may prove more important and far-reaching than any of these was inaugurated last November. We have deputed Major Bedford, one of our most skilful chemists, with an expert staff from home, to make an exhaustive examination of the processes and results of the distillation of country spirit throughout India, with the object of ascertaining what are precisely the noxious constituents of the liquor, and the practical means of eliminating or minimizing them. If his researches prove effectual, we have desired him to devise a standard of purity which may be prescribed for country liquor, in addition to the ordinary standard of strength, and a simple test of quality which it will be within the capacity of the excise staff to apply to all issues of distillery liquor. The enquiry is one of much difficulty, it will be a work of time, and mistakes are not at all unlikely to be made at the outset. But if Major Bedford's efforts should prove successful, they will have paved the way for a reform of the utmost value and significance.

"In bringing my remarks to a close, I desire to emphasize one point to which reference has already been made in the Financial Statement. Although our general financial position is thoroughly sound, and the prospects of the coming year appear favourable, yet we must never lose sight of the exceptional elements of uncertainty which attend Indian finance. The fate of the rabi crop in Northern India, where three days' frost shattered the hopes of a splendid harvest, and struck half a crore off the revenue, is an object-lesson of the suddenness with which prosperity may become disaster. Once more I would remind the Council that the present high level of the Opium Revenue must be regarded in the light of a fortunate windfall, and that no permanent re-adjustment of revenue or expenditure can be built on so frail a foundation. Our Railway Revenue is on a different footing. I believe that that has come to stay, and that it will furnish us, year in and year out, with a large and growing addition to our resources. But here, too, we must remember that the very magnitude of the earnings is itself a source of danger. When the gross takings are in the neighbourhood of 10 lakhs a day, it is manifest that a very small proportionate fluctuation may make an enormous difference in the net result. It is only common prudence to set aside a large percentage of the actual net

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earnings before estimating the assured annual revenue which we can count upon from this source. I need scarcely add that it is only assured revenue, and not uncertain windfalls, which can be taken into account in adjusting taxation or embarking upon permanent increase of expenditure."

His Excellency THE PRESIDENT said :—" I should like to congratulate my Hon'ble Colleague Mr. Baker upon the reception accorded to his first Budget. He has assumed charge of his important office in a year which is the culminating point up to date of the process of financial recovery that has been proceeding uninterruptedly for the past six years, and whose origin may be traced back still further to the foresight and prudence of Sir D. Barbour and Lord Lansdowne six years earlier. I do not mean to say that a point has been reached from which we shall now decline. There is not, so far as I can see, the slightest ground for anticipating any such consequence. But the closer budgeting that has been employed in drawing up the estimates of revenue and expenditure for next year, the narrower margins that have been left, and the heavy and increasing calls that we have accepted for ensuing years in carrying out our great measures of administrative reform and military reorganisation, render it unlikely that my Hon'ble friend will always be able to count upon similar surpluses, even if an unlucky change of wind does not drive him sooner or later into the financial doldrums.

"Of course the most satisfactory feature of the Budget has been that Mr. Baker has been able at one and the same time to provide the means for a great increase in administrative outlay and for a reduction in the burdens of the people. That is the dream of the fortunate financier, which all cherish but few realise. I remember saying in the Budget Debate a year ago that it would perhaps be too much good luck for one Viceroy to give two considerable reductions of taxation in his time; but that if I were not so fortunate I should hope to bequeath the opportunity to my successor. That successor has turned out to be myself: and I suppose that I may therefore congratulate myself, if not on my forecast, at least upon my good fortune. But in these remarks I must not be taken to assume the smallest credit for the surpluses that have been obtained year after year for the past six years. The head of the Government may, by the manner in which he conducts the affairs of the country at large and its foreign affairs in particular, exercise a considerable influence upon the scale of expenditure during his term of office. But apart from the general sense of confidence present in or absent from his administration, he cannot exercise much effect upon the revenue. Whether the price of opium per chest goes up or down,

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whether the railway returns are more or less, whether the customs revenue expands or recedes, whether the Land Revenue is stationary or shrinks, depends in the main upon circumstances outside of his control. I always think it therefore a very absurd thing to give credit to any individual for what is really the result of outside circumstances; and if any speaker at a public meeting who wished to denounce the head of the Government were to do so by denying him all credit for the receipts of his Finance Minister, I should be the first to vote for the motion.

“ But, after all, surpluses are surpluses, and the case is not the same when it comes to disposing of them. I cannot therefore go so far as to agree with the critic who wrote the other day—‘ Unfortunately for our country its revenues have somehow or other been leaving surpluses year after year since the beginning of His Excellency’s rule.’ I wonder whether this critic would have preferred a succession of annual deficits. One can imagine what he would have said of the Viceroy in such a case. It is in the disposal of surpluses that, in my opinion, the responsibility of the head of the Government does most definitely come in. It is one of the first of his functions, in consultation with the Finance Minister and his Colleagues, to consider the fair and equal distribution of the bounty which good fortune may have placed in their hands. I have found no more pleasing duty than this during the past six years: and in acting as we have done, it is no vain boast to say that we have proceeded throughout upon definite principles and on what seemed to us to be logical lines. My view has always been that as the revenue of this country comes in the main from the people of the country, it is to the people that the disposable surplus, if there be one, should return. And who are the people of whom I speak? They are the patient, humble millions, toiling at the well and at the plough, knowing little of budgets, but very painfully aware of the narrow margin between sufficiency and indigence. It is to them that my heart goes out. They are the real backbone of our economic prosperity. They give us nearly 20 millions sterling per annum in Land Revenue alone, or about one-fourth of our entire receipts.

“ And alongside of them are the artisan, the petty trader, the small shopkeeper, the minor official, the professional man of humble means,—numerically much smaller than the cultivating classes, but representing different and very important sections of the population,—all relatively poor, and all entitled to some return when the State has the wherewithal to give. Hon’ble Members can scarcely realise how anxiously year by year we have considered the claims of all these classes and persons, and have

endeavoured to apportion the relief equitably between them. A sufficient illustration may perhaps be found in the present Budget. What is the tax that touches all classes down to the very humblest? It is the Salt-tax—and therefore we have brought it down to the lowest figure that it has reached since the Mutiny, certain that we have long passed the point at which middlemen can absorb the reduction, and that it must now filter down to the poorest strata of society. We thereby sacrifice nearly $1\frac{1}{4}$ millions sterling per annum in addition to the million sterling per annum that we surrendered when first we reduced the tax two years ago. A gift of $2\frac{1}{4}$ millions a year is one that, even with a population of this enormous size, is not to be despised. Then if we go on to ask what are the administrative needs that most affect the lower orders of the people in India, will not the reply at once be forthcoming—a purer, better paid, and more efficient police, superior opportunities for lifting themselves in the world by education, both in the rural and urban districts, the application of modern science and discovery to the one great staple industry by which the vast majority of them live, namely, agriculture, and provision for all those local needs in the shape of communications, sanitation, hygiene, etc., which mean the difference between comfort and destitution, health and disease, contentment and suffering, to millions of our fellow-citizens? And if for these purposes we have surrendered on the present occasion more than another million sterling per annum, will anyone either grudge the existence of the surplus to start with, or the manner in which we have disposed of it? I daresay that there are other forms of relief which others would have preferred. In previous years we have benefited some of the classes who have now been left out. Who knows but that Mr. Baker may have a good turn to do to others some day later on? Speaking generally, however, my impression, surveying the entire field of Indian taxation as I draw near to the end of my time, is that though there may be other taxes which we should like to lighten, and which certain classes of the community would perhaps like to see lightened still more, there is no tax at present imposed in India which can fairly be called burdensome or oppressive, either because it takes out of a class more than they can reasonably pay, or because it cripples a trade or an industry. I think that there are very few even among the most advanced countries in the world of which such a statement could be made with equal truth.

“Perhaps, however, as I have alluded to the present year as the culminating point in an era of financial progress, and as I have been discussing the means of remitting to the people the surplus product of their own industry, I may take the opportunity of pointing out to the Council what is the full measure

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of financial relief that the Government of India has been fortunate enough to afford to the taxpayer, since the period of surpluses began with the first Budget that I heard expounded at this table in 1899. The bounty of one year is apt to be swept out of sight by that of another, and totals are hardly realised until they are put before us in the naked reality of figures. I would divide the benefactions which have been made since 1899 under the following heads; and of course I only include in them those measures of relief which have been given outside of the ordinary expenditure of Government, and out of the surpluses which we have obtained.

"In remission of taxation we shall have given in the seven years, including the financial year for which we are now providing, a total sum of $7\frac{3}{4}$ crores, or over 5 millions sterling. In special remissions of Land Revenue, and of interest and capital of loans, in both cases in connection with famine, we shall have given over 3 crores, or 2 millions sterling. For increased expenditure upon Education, quite apart from the ordinary Imperial and Provincial grants, we shall have given over 2 crores, or £1,400,000. In grants for expenditure on purposes of local administrative amelioration, such as roads, bridges, water-supply, hospitals and dispensaries, sanitation, etc., we shall have given over $4\frac{1}{2}$ crores, or 3 millions sterling. Minor grants for special purposes, such as the 50 lakhs which are still waiting to be spent on the scheme for improving the congested parts of this great city—a scheme which in broad outlines has been sanctioned by the Secretary of State—amount to nearly $1\frac{1}{4}$ crores, or £800,000. The total sum, part of it non-recurring, but the greater part of it to be continued year by year, that has been given back in my time to the people of India in the form of relief of taxation and other benefactions, amounts to over $19\frac{1}{2}$ crores, or 13 millions sterling. I present these figures to Hon'ble Members as indications of the finance of what we sometimes hear described—though the remark does not appear to find an echo within this Chamber—as a reactionary *régime*. I am willing to let the figures speak for themselves. But there is a famous passage in a speech that was delivered in the House of Commons in 1858, that might be quoted also—'Where was there a bad Government whose finances were in good order? Where was there a really good Government whose finances were in bad order? Is there a better test in the long run of the condition of a people and the merits of a Government than the state of its finances?' That speech was delivered with direct reference to the Government of India, and the speaker was John Bright.

"In my speeches in these Budget debates I have been in the habit from year to year of indulging in what in the phraseology of trade is called stock-taking,

and of taking the public into the confidence of Government as to the administrative responsibilities which we had assumed or hoped to carry out. In my earlier years these remarks had necessarily to be couched in the future tense, and many were the criticisms that were then passed upon abortive enquiries and over-ambitious programmes. We do not hear so much of these now. Next year, if I am spared till then, will be my last Budget debate, and it will then perhaps fall to me to review the entire field of work and to show where we have achieved our purpose, and where we have failed. I remember writing to the Prime Minister who appointed me that seven years would be required for the task unless it proved too much for the labourer's strength. I have sometimes wondered whether the onlookers ever weigh the latter consideration. We all look at the progress of the cart, and observe with shrill cries whether it is sticking in the ruts or getting on. But few spare a thought for the horse until perhaps it staggers and drops between the shafts, and then—why then—another animal is brought to take its place.

“The first twelve reforms which I foreshadowed in 1899 are, I am glad to say, now accomplished; the next twelve have been carried also; and in the remaining year I hope we may carry to completion the third dozen also. When I speak of accomplishment and completion, I do not of course mean to suggest that there is, or can be, any finality in administrative work. It goes on like the seasons; and from each oak as it is planted fresh acorns fall. But there, after all, is the tree, a living and sprouting stem, a unit in the forest to be reckoned up and perhaps also to gain in value as the time goes on. For instance, an institution like the North-West Frontier Province, which has admirably answered its purpose and has so far falsified all the predictions of its enemies, is a realised fact which no one is in the least degree likely to change and which might give food for reflection to some who denounce the shifting of provincial boundaries as though it were a crime and an evil, instead of being, as it is capable of being, if wisely and opportunely carried out, a very considerable blessing.

“I have no more to say about the accomplished reforms on the present occasion, and even in what I have said I hope that no trace of false exultation has crept in. Reforms in India may sometimes require an external impulse to start them. But they are the work of hundreds of agencies, some important and others obscure: and well do I know that nothing could be achieved, were it not for the co-operation of Colleagues, to work with whom has been a six years' delight, for the wise

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counsel and cheerful industry of hundreds of faithful fellow-workers in all parts of the country, as well also—and I gladly make the admission—as for the sometimes embarrassing, but often stimulating, influence of public opinion.

“To-day I propose to confine my attention to such items of our programme as have been pushed several stages further towards completion during the past twelve months, and which, I hope, will be finally and firmly grounded before the year is over.

“Hon’ble Members will recollect that in the year 1899-1900 we had the last great Indian famine. That visitation must have left an indelible impression upon every one who was brought into close contact with it, whether in relation to its effect upon the physical condition and sufferings of the people, or to the economic position of the country as a whole. I have often stated my conviction that it will not be the last Indian famine. We may compete and struggle with Nature, we may prepare for her worst assaults, and we may reduce their violence when delivered. Some day perhaps, when our railway system has overspread the entire Indian continent, when water storage and irrigation are even further developed, when we have raised the general level of social comfort and prosperity, and when advancing civilisation has diffused the lessons of thrift in domestic expenditure and greater self-reliance and self-control, we shall obtain the mastery. But that will not be yet. In the meantime the duty of Government has been to profit to the full by the lessons of the latest calamity, and to take such precautionary steps over the whole field of possible action as to prepare ourselves to combat the next. It was for this purpose that we appointed the Famine Commission under that most expert of administrators, Sir Antony MacDonnell, in 1901. Nearly four years have elapsed since then and the general public has perhaps almost forgotten the fact. But the intervening period has not been spent in idleness. There is no branch of the subject, of famine relief, famine administration, and still more famine prevention, which has not been diligently ransacked and explored, and there is no portion of the recommendations submitted to us by the able Chairman and his lieutenants which has not been discussed with Local Governments and been already made, or if not is about to be made, the subject of definite orders. Instructions were first issued explaining the principles of famine relief as deduced from the experiences of the latest famine and the findings of the Commission. Then came a revision of the existing Famine Codes in each Province—for the conditions and the practice vary to a considerable extent. This has been a work of great labour. It is now all but complete. But the value of these revised and co-ordinated Codes will only be seen when the next struggle comes. Then they will be found

to provide the armament with which each Local Government in India will fight the battle.

"The next stage was when the Irrigation Commission investigated the existing programmes of relief works throughout India and submitted recommendations for their improvement and maintenance. These also are in course of being carried out, and special establishments have been sanctioned for the purpose.

"Then there was a group of separate recommendations made by the Famine Commission which they included under the head Protective in the final part of their Report. These were in some respects the most important of all, for they related to broad measures of State policy demanding either executive or legislative action on the part of the Supreme Government. I must say a few words about some of these. One of them, the relief of agricultural indebtedness in the Bombay Presidency, still remains to be dealt with. A second, namely, the degree and nature of Government aid by means of loans to agriculturists, has also been treated by the Irrigation Commission, and is about to form the subject of a communication to the Local Governments in which suggestions are made for rendering the present system more simple, liberal, and elastic. A third, namely, agricultural development, has been made the subject of a separate speech by one of my Hon'ble Colleagues, Sir Denzil Ibbetson, this afternoon. It would be superfluous for me to follow in his footsteps. Good fortune has presented us simultaneously with certain advantages for taking up this too long neglected branch of our duties in the last few years. Firstly, we have had the funds, which our predecessors have not: and Hon'ble Members have noted with particular approval the special grant of 20 lakhs which we have given for the purpose in the present Budget, and which is only the precursor, as we hope, of larger sums to follow. Then we have had for the last five years a Finance Minister in Sir Edward Law who took the warmest interest in agricultural development, and I believe derived more sincere pleasure from a successful agricultural experiment than he did from the yield of any impost. And finally we have had in the Hon'ble Member for the Revenue and Agricultural Department a perfect master of his subject, who to profound knowledge of the cultivating classes has added both a warm appreciation of their needs and a statesmanlike grasp of large ideas. The stone which I am to lay at Pusa in two days' time will, I hope, be the foundation-stone not only of a fabric worthy of its object, but also of a policy of agricultural development henceforward to be pursued systematically, in good years and bad years alike, by the Government of India: so that a time may one day arrive when people will say that India is

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looking after her greatest living industry as well, let us say, as she is now looking after her greatest inherited treasure, *viz.*, her ancient monuments.

“There are two other objects which were recommended by the Famine Commission. The first of these was the institution of Co-operative Credit Societies, sometimes less correctly styled Agricultural Banks. Several Hon’ble Members now at this table will remember our legislation of last year, by which we provided for the foundation of such societies. There was no remark more frequently made in the course of the discussion or more obvious in its truism than that any steps in this direction must be slow and experimental, and that quick returns or striking results could not be expected. In many parts the spirit of co-operation has to be created before a co-operative institution can be built upon it. There is also a great deal of elementary preaching, or what an English statesman once called spadework, to be done before substantial results can be expected. But we have not been idle during the year. Specially selected officers have been appointed as Registrars of Co-operative Societies in the six main provinces, and they are now engaged in spreading a knowledge of the principles among the cultivating classes. The various concessions made by the Government of India in order to lend encouragement—concessions in respect of income-tax, stamp-duty, registration-fees, and Government loans, have all been notified and are in operation. Three provinces have framed their rules under the Act, in four provinces societies have already begun to be registered, Madras and the Punjab having taken the lead. In addition to these is a much larger number of societies started, but not yet actually on the register. Here the United Provinces, which initiated the experiment in Sir Antony MacDonnell’s time, and which now possess 150 societies, are to the fore. Even in such distant provinces as Assam and Burma, we hear of great interest being displayed and of applications being received. The statistical result is too immature to admit of quotation. But I have said enough to show that Government, having planted their seed, do not mean to let it perish from want of nurture. None of us can say whether it will develop into a healthy plant. But every chance shall be given to it.

“The next matter to which I referred is one in which I have taken the keenest interest during my time in India, since it touches the marrowbone of that agricultural class of which I was speaking a little while back. I mean elasticity in Land Revenue collection, and greater liberality in suspension and remission of the fixed demands in times of distress, whether local or widespread. The Famine Commission dealt with this; and we also laid it down among the principles to be adopted as accepted canons of

Government in our Land Revenue Resolution of January 1902. But something more was required than the mere statement of an orthodox principle: and we have since been engaged, in consultation with the Secretary of State and the Local Governments, in elaborating its operation—with results that will shortly be published. Already a fluctuating assessment, *i.e.*, a demand that is capable of being varied from year to year, is accepted in practice by most Local Governments and is applied to precarious tracts. What I am now referring to is elasticity in collection, *i.e.*, an allowance for exceptionally bad seasons by the suspension or remission of payments due. This is an act of compassion on the part of the State, but it is compassion in a form little distinguishable from justice; for it relates to cases and seasons in which the cultivator cannot pay his fixed demand, because the crops which he has reaped barely suffice for his own sustenance, and where, if he is called upon to pay it, he can only do so by plunging deeper into debt. In such a case rigidity of collection is not only a hardship but an injustice. It is to avoid such consequences, and at the same time to escape the opposite extreme of laxity in collection and the consequent demoralisation of the people, that we are about to lay down the principles underlying this method of relief.

“Next I turn to Irrigation. It is five years since I last alluded at any length to this subject in a Budget Debate. I then discussed the possibilities of irrigational expansion that seemed to lie before us in India, and speaking upon the authority of my expert advisers, I indicated the limits, physical rather than financial, that appeared to exist to such expansion, and answered the popular misapprehension that because India is a land of great rivers and heavy rains, it is therefore possible to capture all that surplus water, and to utilise it either for the extension of cultivation or for the prevention of famine. After that came the Famine of 1900; and as a sequel to the Famine it seemed to me that this matter, so vital to the future of India, should be re-examined by the very highest authorities whom we could find, visiting every part of the country, examining into local conditions, programmes and needs, approaching the matter from the point of view of protection against famine rather than of remunerative investment of State funds, and presenting us with an authoritative pronouncement upon the capabilities for further irrigation of the whole of British India, and of the extent of the obligation both in State irrigation and in the encouragement of private enterprise which Government might legitimately assume. That was the genesis of the Commission presided over by Sir Colin Scott-Moncrieff which was appointed in the autumn of 1901, and which, after an investigation that extended over two cold winters, finally reported in April 1903.

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"I wonder how many of the Hon'ble Members whom I am now addressing, and still more how many of the outside public, have read their Report. To me the first part of it, which relates to general considerations, is infinitely more interesting than a novel, for it deals not with the hypothetical problems of human character, but with the positive agencies that affect the growth or decline of human life; and it bases conclusions dramatic in their sweep upon premises of scientific precision. By slow but sure degrees ever since, we have been assimilating and taking action upon that Report; and our final views and orders upon it will shortly see the light.

"As this is the last occasion upon which I shall ever speak at any length upon this subject in India, let me summarise the situation as it now stands. There are two classes of Irrigation in this country. State Irrigation, *i.e.*, works constructed or maintained by the State, and Private Irrigation conducted by communities or individuals, largely by means of wells. I am here only concerned with the former. I need not before an Indian audience expatiate upon the distinction, so familiar in our Reports and Budget Statements, between major and minor works, productive and protective works. Major works are either productive, in which case we find the money for them out of surplus revenue or from loans, or protective, in which case we provide for them from the annual Famine Grant of $1\frac{1}{2}$ crores; the distinction between productive and protective being that the former are expected to prove remunerative, though they have not always been so; while the latter are not expected to be remunerative at all. In other words, productive works are, or may be, protective also; but protective works are not expected to be productive. Minor works are those which we undertake entirely out of the revenue of the year. Now let me say what our outlay upon all these works up till the present hour has been, and what the property thus created represents. The Government of India have spent in all $46\frac{1}{2}$ crores or 31 millions sterling upon State irrigation works in all the above classes. With it they have dug nearly 50,000 miles of canals and distributaries, they have irrigated an area of $21\frac{1}{2}$ million acres, out of a total irrigated area in British India of about 47 million acres, and they derive from it a net revenue of £2,700,000 per annum, or a percentage of net revenue on capital outlay of approximately 7 per cent. If we capitalise the net revenue at 25 years' purchase, we obtain a total of $67\frac{1}{2}$ millions sterling, or considerably more than double the capital outlay. These figures are an indication of what has already been done. Next, what are we going to do or what are we capable of doing? In my first year in India I went to see the Chenab Canal in the Punjab, which had been finished a few years earlier. At that time it irrigated 1,000,000 acres,

it now irrigates 2,000,000 ; at that time it had cost $1\frac{1}{2}$ millions sterling, there have now been spent upon it 2 millions ; at that time it supported a population of 200,000 persons, the population is now over 1,000,000, and this huge aggregate is diffused over an expanse, now waving with corn and grain, that but a few years ago was a forsaken waste. Since then we have completed the Jhelum Canal, which already irrigates 300,000 acres, and will irrigate $\frac{3}{4}$ million. Everywhere these lands, once waste and desolate, are being given out to colonisation ; and the Punjab Province, if it lost the doubtful prestige of the Frontier with its disturbing problems and its warring tribes, has gained instead the solid asset of a contented and peaceful peasantry that will yearly swell its resources and enhance its importance. Then you have heard of the fresh obligations which we have since undertaken in the same quarter ; $5\frac{1}{4}$ millions sterling have just been sanctioned for the group of canals known as the Upper Chenab, the Upper Jhelum and the Lower Bari Doab. Before another decade has elapsed 2,000,000 more acres will have been added to the irrigated area, with a proportionate increase in the population, and with an estimated return of 10 per cent. on the capital outlay. So much for the near future. Now let me look a little further ahead, and come to the recommendations of the Irrigation Commission. They have advised an additional expenditure of 44 crores, or nearly 30 millions sterling, spread out over twenty years, or an annual average expenditure of $1\frac{1}{2}$ millions sterling. We accept that estimate ; we regard it as reasonable ; and we hope to be able to provide the funds. This will increase the area under irrigation in British India by $6\frac{1}{2}$ million acres as compared with the 4 millions which I mentioned five years ago, the difference being explained by the fact that as we draw towards the close of this gigantic programme we shall no longer be able to talk glibly of remunerative programmes or of lucrative interest on capital outlay, but shall find ourselves dealing with protective works, pure and simple, where no return or but little return is to be expected, and where we shall have to measure the financial burden imposed on the State against the degree of protection against scarcity and famine obtained for the people. I do not think that we need shrink from that more exacting test : for we shall have approached, if the metaphor may be permitted, the rocky passes in which our forces will then be engaged across smiling plains and verdant pastures in which they will have derived strength and sustenance for the harder and less remunerative toil that will lie before them. I wish that we could proceed even faster. But that is out of the question. Canals are not like railways where companies are ready to find the money and to undertake the work, where an embankment can anywhere be thrown up by unskilled labour, and where the iron or steel plant that may be required can be ordered by telegram from Europe or

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the United States. In irrigation you have in the first place to find the funds from the borrowings of the State, which are not capable of unlimited expansion. You have to spend much time in preliminary investigations and surveys. You then have to obtain your labour for the particular work. It is estimated that to spend the amount which I have named a host of 280,000 workmen and coolies will be required for 250 days in each of the twenty years in addition to those required for the maintenance of the existing works and of the new ones as they come into operation. And finally you have to engage and train your skilled establishment which is a matter of careful recruitment, spread over a series of years. These are the considerations that must always differentiate irrigation work from railway work in India, and that militate against the same rate of speed in the former. And then when we have done all this where shall we stand? We shall have done much, we shall have done what no other nation or country has done before. But the surplus water from the snows of the Himalayas and from the opened doors of heaven will still spill its unused and unusable abundance into the Arabian Sea and the Bay of Bengal. The calculations show that of the total average rainfall of India, as much as 35 per cent., and a much larger proportion of the surface flow, amounting to 87 per cent., is carried away by rivers to the sea. The programme that I have sketched will at the most utilise only $2\frac{1}{4}$ per cent. of this surface flow, and the remainder will still continue its aimless and unarrested descent to the ocean. Why is this? The answer is very simple, and to anyone who has any knowledge of the meteorological or geographical features of this continent very clear. Rain does not always fall in India in the greatest volume where it is most needed. What Cherrapunji could easily spare Rajputana cannot for all the wealth of Cræsus obtain. Neither does rain fall all through the year in India. It descends in great abundance, within narrowly defined periods of time, and then it is often very difficult, and sometimes impossible, to store it. Providence does not tell us when a year of famine is impending, and we cannot go on holding up the water for a drought that may never come. It would be bad economy even if it were not a physical impossibility. Sometimes where water is most plentiful there is no use for it, because of the sterile or forbidding or unsuitable nature of the soil. Sometimes it flows down in blind superfluity through a country already intersected with canals. Sometimes it meanders in riotous plenty through alluvial plains where storage is impossible. Sometimes again the cost of storage is so tremendous as to be absolutely prohibitive. These are some, though by no means all, of the reasons which place an inexpugnable barrier to the realisation of academic dreams. Facts of this sort we may deprecate, but

cannot ignore; and the time will never come when we can harness all that wealth of misspent and futile power, and convert it to the use of man. What we can do, the Commission have told us; what we mean to do I have endeavoured imperfectly to sketch out in these remarks. Restricted as is the programme, when measured against the prodigious resources of nature, it is yet the maximum programme open to human agency and to finite powers, and it is one that may well appeal either to the enthusiasm of the individual, or to the organised ability of the State. We are about to embark upon it with the consciousness that we are not merely converting the gifts of Providence to the service of man, but that we are labouring to reduce human suffering and, in times of calamity, to rescue and sustain millions of human lives.

"There are a few other subjects to which I must allude. The presence of the Hon'ble Mr. Hewett at this table and the speech which he has delivered, indicate that we have in the past year obtained that which has for a long time been the cherished aspiration of the mercantile community, *viz.*, a separate Department and Minister of Commerce and Industry. Six years ago I should have said that this was impossible; two years ago I did not regard it as likely. But the facts of commercial and industrial expansion cannot be gainsaid; and as soon as the case began to be made out it was convincing in its logic and pertinence. The days are gone by when Government can dissociate itself from the encouragement of commercial enterprise. There used to be a sort of idea that business was an esoteric thing, to be conducted by a narrow clique, who were alone possessed of the oracles of wisdom, and with whom Government were hardly supposed to be on speaking terms. That was an absurd theory at any time. It is additionally absurd in a country like India, where the Government is responsible for so many forms of commercial and industrial activity, where it builds and works railroads, where it controls the sale of opium and salt, where it maintains gigantic factories, where it is engaged in undertaking the manufacture of its own cartridges and rifles and guns, and where it is the largest employer of labour in the country. And most absurd of all is it at a time when the whole air is alive with movement, rivalry, and competition: and when we desire to push our products, our manufactures and our industries, upon the attention of the world. I believe India to be merely at the beginning of its commercial expansion, and if I could revisit this Council Chamber fifty years hence, I believe I should find the Commercial Member of that day delivering an oration that would be reported throughout the East. There is only one word of appeal in which I would ask leave to indulge. I entreat my Indian friends not to regard the creation of a Department of Commerce as an agency for the promotion of British commerce alone. They

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could not make a greater mistake. Indian commerce, industry, and enterprise are as vital to this country as British—nay, I think more so. They have a future as bright before them. When we have to deal with great pioneers of Indian industry, such as the Tata family, they will tell you that they receive the warmest encouragement at our hands, and for my own part I should feel far happier if for every present Indian merchant-king there were a thousand, and for every lakh of Indian rupees invested in mercantile undertakings, a crore. Our new Department and its Hon'ble Member know no distinction of race: they are concerned only with the development of the country.

“ It is a part of the same policy that has induced us in the past year to create the new Railway Board which is now entering upon its duties. The idea is no new one. We make no pretence to be original. It has been advocated for years, by all those who wanted greater elasticity and less officialism in our system, and from the day that I surrendered temporary charge of the Public Works Department in 1899, having become conversant for a while with its working, I meant to get the reform sooner or later. It has taken six years to carry it out. Not that the old Public Works Department stands, therefore, condemned. That would be a most unjust and unfair assumption. It produced a series of brilliant and famous Engineers. It overspread India with a network of railways. It eventually converted annual deficits into an assured surplus that has reached this year the magnificent figure of $2\frac{1}{4}$ millions sterling, and it has handed over to the Railway Board a splendid property which it will rest with the latter to develop on commercial principles in the future. I have sometimes seen the present Administration accused of centralising tendencies. I have not time to argue that contention this afternoon. But if it be true, it is at least remarkable that it has been associated with the two greatest measures of decentralisation that have been achieved during the last fifty years, *viz.*, the Permanent Financial Settlements with the Provincial Governments, and the institution of the Railway Board.

“ There is entered in the Budget the sum of 50 lakhs for Police Reform. That is only an instalment and a beginning. We accept with slight modifications the full recommendations of the Commission, and we intend to carry out their programme. The author of the Report is seated at my right hand, and I should like to take this opportunity of publicly thanking him and his colleagues for their labours. No more fearless or useful report has ever been placed before the Government of India. I would gladly have taken action upon it sooner. But a long time has been required to consult the Local Governments and to satisfy the Secretary of State. And now what is it that we have in view? I think that my feelings

are those of every Member of the Government. We want a Police Force which is free from the temptation to corruption and iniquity, and which must, therefore, be reasonably well paid, which must be intelligent and orderly and efficient, and which will make its motto protection instead of oppression. I confess that my heart breaks within me when I see long diatribes upon how many natives are to get employment under the new system and how many Europeans. For my own part I have never paused to count them up. The Police Force in India must be an overwhelmingly native force: and I would make it representative of the best elements in native character and native life. Equally must it have a European supervising element, and let this also be of the best. But do not let us proceed to reckon one against the other and contend as to who loses and who gains. The sole object of all of us ought to be the good of the country and the protection of the people. It is three years since, in one of these Debates, I announced the appointment of the Police Commission, and since Sir John Woodburn, who sat in that chair, said that it would be the most important and far-reaching of any that I had appointed in my time. I am glad that I appointed it and am proud of its work: and when the reforms come into full operation, I am hopeful that they will be felt under every roof in this country.

“At this stage I may perhaps interpolate a few remarks in reply to the concluding portions of the Hon'ble Mr. Gokhale's speech. He seems to think that in my speech of last year, and in the Resolution that followed it, were laid down new principles as regards the admission of Natives of India to the public service. He referred to the Act of 1833 and the Queen's Proclamation of 1858. I am familiar with both those documents, and I also remember—which those who quote them sometimes forget—that the late Queen's words contained a qualification, not indeed modifying their generosity, but limiting their application by the necessary tests, firstly, of practical expediency, and secondly, of personal fitness. These were the words: ‘It is our will, that so far as may be, our subjects of whatever race or creed be freely and impartially admitted to offices in our service, the duties of which they may be qualified by their education, ability, and integrity duly to discharge.’ There is not one sentence in that memorable paragraph from which any Government of India or any Governor General has ever either desired or attempted to recede. But the Hon'ble Mr. Gokhale's historical references stopped short at 1858. He altogether forgot to mention the findings of the Public Service Commission of 1887, which deliberately laid down that the service in India should in future be divided into two branches, firstly, an Imperial Service called the Civil Service, to be recruited by open competition in England only, and, secondly, a Provincial Service

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recruited in India, and consisting almost entirely of natives of this country. Our pronouncement of last year was a mere reaffirmation of the findings of that Commission. Even the phrase *corps d'élite* which the Hon'ble Member seems to think originated with me is taken from paragraph 73 of their Report. Let me further ask him more particularly to peruse paragraphs 74 and 91 of that document. He will find that nothing was said last year, either by the Government of India or by myself, which has not been laid down with even greater authority by our predecessors: and for the inference as to a change of policy which Mr. Gokhale has drawn in his speech today, there is, I can assure him, no foundation.

"I am myself particularly immune from the suspicions to which the Hon'ble Member refers. I frequently see attributed to me personally the appointment of this or that European or Eurasian to some post or other in some part of India. The responsibility of the Head of the Government of India is great, and I have never minimised it. But it is beyond human power that he should know every detail of the administration of 300,000,000 of people, and beyond reason that every subordinate act of the Administration should be attributed to him alone. And really when I read of all the things that are explained by my personal intervention, while I appreciate the compliment, I am compelled to say that in quite 19 cases out of 20, I have never even heard of them at all. If the Hon'ble Member were to go into the Departments of the Government of India he would find that I am there known as a strong partisan not of European but of Native appointments, wherever these can be made with sufficient regard to the test of personal fitness for the post. But, after all, is it not rather a vain exercise to dispute as to the exact number of places that are or are not given to this or to that class in an Administration? The Hon'ble Member will never find any reluctance on the part of Government to recognize and to forward the legitimate aspirations of his countrymen. But he must not be surprised if these generous tendencies are sometimes chilled, when almost every step that we take and every appointment that is made is liable to criticism that presumes the existence of a racial bias where none exists. He has cited the Despatch of the Court of Directors with which the Act of 1833 was sent out to India. Let me quote to him another paragraph from that Despatch. If I were to utter it as my own, I am afraid that I should be accused of illiberal sentiments. But with the distinguished imprimatur of the authors of the Act of 1833, it may carry some weight with the Hon'ble Member:

'We must guard against the supposition that it is chiefly by holding out means and opportunities of official distinction that we expect our Government to benefit the millions

subjected to their authority. We have repeatedly expressed to you a very different sentiment. Facilities of official advancement can little affect the bulk of the people under any Government, and perhaps least under a good Government. It is not by holding out incentives to official ambition, but by repressing crime, by securing and guarding property, by creating confidence, by ensuring to industry the fruit of its labour, by protecting men in the undisturbed enjoyment of their rights, and in the unfettered exercise of their faculties, that Governments best minister to the public wealth and happiness. In effect, the free access to office is chiefly valuable where it is a part of general freedom.'

" With these words, which seem to me entirely wise, I will pass from the subject.

" There is one duty that falls upon the Government of India to which I think that I have rarely if ever alluded in this Council, and that is the guardianship of Indian interests where they are liable to be impugned by external policy or influence. We resisted to the best of our ability the heavy charge of more than $\frac{3}{4}$ million sterling that was imposed upon Indian revenues by the increase of pay in the British Army—a measure about which we were not consulted and with which we did not agree. We protested more successfully against the placing upon Indian revenues of the charge for the entertainment of the Indian guests at the Coronation in London. We were also successful in resisting the suggestion that India should pay £400,000 per annum for a call upon a portion of the British Garrison in South Africa. We have now finally established the principle (disputed till a few years ago) that when we lend troops from India to fight campaigns for the Imperial Government in different parts of Asia and Africa, every rupee of the charge from embarkation to return shall be defrayed by the Imperial Government.

" During the past few years we have been waging a similar battle in defence of the Indian emigrant in South Africa. For many years a system has prevailed under which unskilled Indian labourers have been encouraged to emigrate to the Colony of Natal for employment, chiefly in agriculture, though a few of them are engaged in coal mines. The number proceeding yearly on five-year contracts is from 5,000 to 6,000, and there are now some 30,000 indentured Indians in the Colony. Their wages are good, and those of them who returned to India in 1903 brought back savings to the amount of over five lakhs of rupees, while Indians of all classes settled in Natal remit to their friends in India some thirteen lakhs of rupees annually. The indentured Indian is well treated, and so far as this class is concerned, the system of emigration to Natal is advantageous to India as well as to the Colony. But there is now in Natal a considerable population of British Indians, estimated at about 50,000, who are

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not working under indenture and are therefore known as 'free Indians.' Some of them are men who have worked out their time, but have decided to settle in the country, or the descendants of such men; others are persons who have voluntarily proceeded to the Colony with the object of making a living there. Unfortunately the colonists entertain a rooted objection to this class of settlers, and have taken strong measures to discourage any increase in their numbers. Some of these measures have seemed to the Government of India to be unduly severe and inconsistent with the reasonable claims of the people of India as subjects of the British Empire; and we have lost no opportunity of urging that the restrictions imposed on free Indians should be relaxed. More especially two years ago, when the Government of Natal sent delegates to us to discuss an arrangement under which Indian labourers should be compelled to return to India on the expiry of the term for which they were engaged, we required as an essential condition that they should make certain concessions in favour of the free Indians who were then settled, or who might desire to settle, in the Colony. We stipulated for the eventual abolition of a tax of £3 a head which had been imposed on such persons for leave to reside; for the amendment of an Act placing traders, of however old a standing, under the power of local Corporations who had absolute authority to refuse licenses to trade; for the removal of Indians from another Act, under which they were classed with barbarous races; and for the provision of a summary remedy for free Indians who might be wrongfully arrested on the ground that they were coolies under indenture or prohibited immigrants. In reply, we were given to understand that there was no prospect of obtaining the consent of the local Legislature to these conditions, and the negotiations were therefore dropped. The only concession that has been obtained as regards free Indians in Natal is the exemption of those who have been resident in the Colony for three consecutive years from the restrictions imposed on 'prohibited immigrants' under the Immigration Restriction Act. That Act still requires immigrants (except those under indenture) to be able to write in some European language, and our endeavours to get ability to write in an Indian language accepted as a sufficient test of literacy have been unsuccessful. We have informed the Natal Government that we reserve to ourselves the fullest liberty to take at any time such measures in regard to emigration to that Colony as we may think necessary in order to secure proper treatment for our Indian settlers, and we have recently again declined to take any step towards facilitating the emigration of labourers under indenture until the Natal authorities substantially modify their attitude.

"In no other South African Colony is there in force any system of immigration of Indian labour under indenture, and the number of British Indians

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at present resident in the Colonies other than Natal is comparatively small. Those Colonies have, however, evinced a similar spirit of opposition to the immigration of free Indians, and we have had a considerable amount of correspondence on the subject, especially as regards the Transvaal. Soon after that country came under British administration, we addressed the Secretary of State for India, and urged that the opportunity should be taken to remove the restrictions and disabilities imposed by the Boer Government on British Indian subjects. In the course of the correspondence that ensued we were asked to agree to a scheme for the employment of 10,000 Indian labourers on the construction of Government railways in the Transvaal and Orange River Colonies; and recognising that the need for Indian labour thus displayed might prove a powerful lever in our hands in securing better treatment for Indians generally in South Africa, we expressed our readiness to consider the proposal if it was likely to lead to substantial concessions in favour of Indians not under indenture. We said that the least that we could accept would be (1) that Indian languages should be included in the literary test applied to new immigrants; (2) that residence in locations should be compulsory only upon those Indians in whose case the restriction is desirable for sanitary reasons; (3) that Indian traders who had established themselves under the former Government should be granted licenses permitting them to retain their present places of business; (4) that all Indians of superior class, including all respectable traders and shopkeepers, should be exempted from the Pass Law and the Curfew system and from the other restrictions imposed on the non-white population.

“The Transvaal authorities declined to concede these demands in full, and we have therefore refused to establish a system of emigration of indentured labourers to that Colony. The outcome of the negotiations so far will be found in the Despatch sent on 25th July 1904 by the Secretary of State for the Colonies to the Governor of the Transvaal, which was presented to Parliament in August last. In it the British Government supported all our main demands except the claim that future immigrants should not be required to be able to write in a European language. We have not yet heard what action has been taken on these instructions by the Transvaal Government.

“I do not say that this is a pleasurable record. The problem is one for which it is exceedingly difficult to find a solution. Colonies possessing, or likely before long to possess, rights of self-government cannot be dictated to in such matters, and the feeling that exists among them is undoubtedly very strong. It has seemed to us to be our duty to do nothing to inflame that feeling, but to lose no opportunity of pleading the cause of those whose

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natural protectors we are, and to make no concession whatever until we obtain a full *quid pro quo* in return. I am confident that in this attitude we shall have the support of the entire Indian community.

"I may name one more respect in which the Government of India have, I think, faithfully championed the interests of the general community. I allude to their attitude on the Fiscal Question. I observe that the Hon'ble Mr. Cable, speaking today on behalf of the commercial community, has most strongly endorsed the correctness of the position that we took up in our Despatch of 22nd October 1903. A little while ago it was stated with some authority in England that that Despatch had been drawn up by us in a hurry, and that we were believed to have modified our views. There is no foundation for any such statement. We composed that Despatch with full deliberation. It represented our matured opinions. We have not departed from them in any particular; and if the Government of India were invited to enter a conference, those I am confident would be the instructions with which our delegates from this end would proceed. Our claim is no merely that India should have a voice in the settlement of the question—that none will dispute—but that in any Imperial scheme there should not be imposed upon us a system detrimental to our interests or repugnant to our strongly entertained and unanimous views.

"Before I conclude I may perhaps be expected to say a word about the military estimates of the year. We have had the familiar attacks upon them in this Debate. One Hon'ble Member spoke of the expenditure as inordinate and alarming. It is inordinate in the sense that it is beyond the ordinary. For now that we have ample means, we are utilising some of them, which in ordinary years we might not have been able to do, not merely to relieve the burden of the people, but to secure them from the possible future horrors of war. There is nothing to alarm in the increase. The situation would be much more alarming, if, with a rival Power building railways towards the Afghan frontier, we were to sit still and do nothing. It was not by so regarding military expenditure and equipment that our allies in the Far East have won those great victories that have extorted the admiration of the world. They saw the danger impending, and they set themselves steadily to prepare for it—with what results we all know. The lesson of the Russo-Japanese War is surely the most supreme vindication of preparation for war as contrasted with unreflecting confidence that modern times have ever seen. His Excellency the Commander-in-Chief has presented us with a scheme, which is the ripe product not only of his own great experience, but of years of discussion and anticipation

in India itself, and whose sole object is so to organise our forces in peace, as to place the largest possible body of men, with the least dislocation, in the field in time of war. Until universal peace reigns, which will not be in our day, the best custodian of his own house will still be the strong man armed; and the Government of India, assured that they have the means, and reposing confidence in the ability of their military advisers, have accepted the scheme submitted to them, not without careful scrutiny of its features and details, but in the conviction that the heavy charge entailed will be repaid in the increased security that will be enjoyed by the country.

"As regards the view which has been expressed in this Debate that the expenditure should be provided for by loan, I join my Financial Colleague in dissenting from that opinion. Reference has been made to English practice. No one would have denounced such a proposal, under existing conditions, more strongly than Mr. Gladstone. I do not say that a military loan is everywhere unjustifiable. Were we on the brink of war, or were it the case that large military expenditure could only be met by incurring a deficit, or by imposing additional taxation which it was considered essential to avoid, then there might be a good case for a military loan. But with a full exchequer, and with a simultaneous reduction of taxation, I feel sure that every financier of repute would pronounce such a proposal to be without excuse. Moreover, it should be remembered that in England the National Debt is being steadily diminished by processes which are not adopted here: and that a military loan is there obliged to run the gauntlet of Parliament. The Government of India is sometimes taunted with its irresponsibility. Might it not be a serious thing if you encouraged that Government to shift on to future generations a burden which it was capable of bearing in its own time? Might you not aggravate the very irresponsibility which is sometimes deplored?

"I have now concluded my picture of some, at any rate, of the activities upon which we are or have lately been engaged. I ask myself, is this in truth an unsympathetic and reactionary *régime*? Is it likely that the individual who has allowed himself no rest or respite in his labours, be they successful or mistaken, for the Indian people, would endeavour to injure them or thrust them back? Is there a single class in the community who has been so injured? I will go further and say, is there a single individual? If there had been, should we not have heard of him today? Would a man who has devoted his whole life to preaching the lessons of the East, its history and traditions, who has often been rallied by his own countrymen for his enthusiasm for the religions and monuments and literature of the East, and who has, while in India, given such abundant

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proofs of his reverence for faiths and feelings that are not his own—turn round and assail what he had hitherto revered? These questions I must leave others to answer. As for reaction I console myself with the wise saying of Macaulay, ‘Ever since childhood I have been seeing nothing but progress, and hearing of nothing but reaction and decay.’

“For my own part, as the last year of my work in India opens, I look back upon the past not with any self-complacency—because while much has been done, much also remains undone—but with gratitude that the opportunity has been vouchsafed to my colleagues and myself of giving so definite an impulse to all that makes up the growth and prosperity of a people, and the safety of an Empire, and with the sanguine conviction that none can sow as diligently and whole-heartedly as we have endeavoured to sow, without a harvest springing up—indeed the green shoots are already high above the ground—that will ten thousand times repay the exertion, and obliterate every scar.”

The Council adjourned *sine die*.

CALCUTTA;
The 31st March, 1905. }

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

APPENDIX A.

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(1) SALT :—

Grades.	Europeans and Eurasians.	Indians.
Rs. 200—300	40	26
Rs. 300—400	31	19
Rs. 400—800	41	2

There are 16 other higher posts in this Department carrying salaries ranging from Rs. 800 to Rs. 4,000 which are held exclusively by Europeans.

(2) CUSTOMS :—

Grades.	Europeans and Eurasians.	Indians.
Rs. 200—300	71	10
Rs. 300—400	39	3
Rs. 400—700	45	3

14 other higher posts in this department carrying salaries ranging from Rs. 700 to Rs. 4,000 are held exclusively by Europeans.

(3) SURVEY :—

Grades.	Europeans and Eurasians.	Indians.
Rs. 200—300	21	5
Rs. 300—400	22	4

In this department there are 56 other higher posts carrying salaries ranging from Rs. 400 to Rs. 3,500 which are held by Europeans exclusively.

(4) MINT :—

Grades.	Europeans and Eurasians.	Indians.
Rs. 200—300	8	1
Rs. 300—400	10	2
Rs. 400—600	6	1

There are 8 other higher posts in this department carrying salaries ranging from Rs. 600 to Rs. 3,500 which are held exclusively by Europeans.

(5) PUBLIC WORKS :—

Grades.	Europeans and Eurasians.	Indians.
Rs. 200—300	145	222
Rs. 300—400	113	63
Rs. 400—500	93	37
Rs. 500—600	50	19
Rs. 600—700	5	2
Rs. 700—800	44	12
Rs. 800—900	61	15
Rs. 900—1,200	124	11

61 other higher posts in this department carrying salaries ranging from Rs. 1,200 to Rs. 3,000 are held exclusively by Europeans.

(6) POLICE :—

Grades.	Europeans and Eurasians.	Indians.
Rs. 200—300	151	163
Rs. 300—400	110	9
Rs. 400—600	149	5
Rs. 600—900	190	2

There are 68 other higher posts in this department carrying salaries ranging from Rs. 900 to Rs. 3,000 which are held exclusively by Europeans.

APPENDIX B.

[*Vide page 86*]

(1) TELEGRAPH :—

Grades.	Europeans and Eurasians.	Indians.
Rs. 200—300	78	12
Rs. 300—400	72	4
Rs. 400—600	30	2

There are 37 appointments in this department carrying salaries ranging from Rs. 600 to Rs. 3,500 which are held exclusively by Europeans.

(2) STATE RAILWAYS :—

Grades.	Europeans and Eurasians.	Indians.
Rs. 200—300	287	63
Rs. 300—400	140	23
Rs. 400—500	99	11
Rs. 500—600	42	3
Rs. 600—900	84	6

119 other higher posts in this department carrying salaries ranging from Rs. 900 to Rs. 3,000 are held by Europeans and Eurasians exclusively.

(3) POST OFFICE :—

Grades.	Europeans and Eurasians.	Indians.
Rs. 200—300	61	53
Rs. 300—400	30	18
Rs. 400—500	26	3
Rs. 500—1,000	17	1
Rs. 1,000—3,500	10	1

NOTE.—The only Indian who held in 1903 a post in the grade of Rs. 2,000—2,500 was a member of the Covenanted Civil Service, and is no longer in the Postal Department.

APPENDIX C.

[Vide page 131.]

Administration.

	1897.	1903.
Total number of Posts above Rs. 500	234	248 + 14
Europeans	189	197 + 8
Eurasians	16	24 + 8
Hindus	28	25—3
Mahomedans	1	2 + 1

Agriculture.

(NEW CREATIONS.)

Total	0	3
Europeans	0	3
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Archæology.
(NEW CREATIONS.)

	1897.	1903.
Total	0	7
Europeans	0	6
Eurasians	0	0
Hindus	0	1
Mahomedans	0	0

Assessed Taxes.

Total	2	2
Europeans	1	1
Eurasians	0	0
Hindus	1	1
Mahomedans	0	0

Botanical Survey.

Total	1	0—1
Europeans	1	0—1
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Civil Veterinary Department.

Total	10	12+2
Europeans	10	12+2
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Customs.

Total	34	38+4
Europeans	27	31+4
Eurasians	4	5+1
Hindus	3	1—2
Mahomedans	0	1+1

Economic Products.

Total	1	2+1
Europeans	1	2+1
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Education.

	1897.	1903.
Total	145	142-3
Europeans	117	114-3
Eurasians	1	4+3
Hindus	24	23-1
Mahomedans	3	1-2

N. B.—Over Rs. 1,000 a month in 1897, 39, all Europeans; in 1903, 49, out of which 48 were Europeans and 1 Hindu.

Excise.

Total	5	7+2
Europeans	2	5+3
Eurasians	0	0
Hindus	3	2-1
Mahomedans	0	0

Foreign.

Total	9	10+1
Europeans	8	8
Eurasians	0	1+1
Hindus	0	0
Mahomedans	1	1

Forests.

Total	135	137+2
Europeans	134	136+2
Eurasians	0	0
Hindus	1	1
Mahomedans	0	0

Geological Survey.

Total	10	11+1
Europeans	8	9+1
Eurasians	0	0
Hindus	2	2
Mahomedans	0	0

Imperial Service Troops.

Total	10	15+5
Europeans	10	15+5
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Indian Museum.

	1897.	1903.
Total	2	3+1
Europeans	2	3+1
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Fails.

Total	37	45+8
Europeans	37	41+4
Eurasians	0	0
Hindus	0	4+4
Mahomedans	0	0

Judicial.

Total	450	456+6
Europeans	246	236-10
Eurasians	15	13-2
Hindus	155	173+18
Mahomedans	34	34

Land-revenue.

Total	826	899+73
Europeans	585	653+68
Eurasians	28	15-13
Hindus	184	180-4
Mahomedans	38	51+13

Medical (Civil).

Total	194	193-1
Europeans	182	182
Eurasians	2	1-1
Hindus	10	10
Mahomedans	0	0

Meteorology.

Total	2	4+2
Europeans	2	4+2
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Military Accounts.

Total	9	14+5
Europeans	4	9+5
Eurasians	5	5
Hindus	0	0
Mahomedans	0	0

Military Administration.

	1897.	1903.
Total	3	6+3
Europeans	1	3+2
Eurasians	2	3+1
Hindus	0	0
Mahomedans	0	0

Mines.

Total	1	3+2
Europeans	1	3+2
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Mint and Assay.

Total	9	11+2
Europeans	8	10+2
Eurasians	0	0
Hindus	1	1
Mahomedans	0	0

Miscellaneous.

Total	2	5+3
Europeans	2	5+3
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Political.

Total	134	139 + 5
Europeans	131	134 + 3
Eurasians	1	1
Hindus	0	2 + 2
Mahomedans	2	2

Port Blair.

Total	7	7
Europeans	7	5 - 2
Eurasians	0	1 + 1
Hindus	0	0
Mahomedans	0	1 + 1

Post Office.

	1897.	1903.
Total	25	29 + 4
Europeans	22	27 + 5
Eurasians	0	0
Hindus	3	2 — 1
Mahomedans	0	0

Public Works.

Total	435	404 — 31
Europeans	361	322 — 39
Eurasians	20	23 + 3
Hindus	52	57 + 5
Mahomedans	2	2

N. B.—Over Rs. 1,200 a month, 1897, 40 ; 1903, 61, all Europeans.

Opium.

Total	32	44 + 14
Europeans	31	41 + 10
Eurasians	1	1
Hindus	0	1 + 1
Mahomedans	0	1 + 1

Ordnance.

Total	9	16 + 7
Europeans	9	16 + 7
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Pilot Service.

Total	12	21 + 9
Europeans	12	21 + 9
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Police.

Total	329	328 — 1
Europeans	321	321
Eurasians	4	2 — 2
Hindus	3	3
Mahomedans	1	2 + 1

Registration.

	1897.	1903.
Total	6	3—3
Europeans	1	1
Eurasians	0	0
Hindus	4	2—2
Mahomedans	1	0—1

Royal Indian Marine.

Total	14	14
Europeans	14	14
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Salt.

Total	34	38+4
Europeans	32	35+3
Eurasians	2	2
Hindus	0	1+1
Mahomedans	0	0

Scientific and Minor Departments.

Total	2	2
Europeans	2	2
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Stamps.

Total	4	5+1
Europeans	2	2
Eurasians	1	0—1
Hindus	1	3+2
Mahomedans	0	0

State Railways.

Total	274	254—20
Europeans	253	221—32
Eurasians	13	24+11
Hindus	8	9+1
Mahomedans	0	0

N. B.—Above Rs. 1,200 a month—in 1897, 29, all Europeans; in 1903, 34, of whom 32 were Europeans and 2 Eurasians.

Stationery and Printing.

	1897.	1903.
Total	9	8-1
Europeans	7	7
Eurasians	1	1
Hindus	1	0-1
Mahomedans	0	0

Supply and Transport.

Total	3	
Europeans	3	2-1
Eurasians	0	0
Hindus	0	0
Mahomedans	0	0

Survey.

Total	46	42-4
Europeans	37	29-8
Eurasians	9	13+4
Hindus	0	0
Mahomedans	0	0

APPENDIX D.

[Vide page 165.]

YEAR.	Area under the out-still system, in square miles.	Area under the distillery system, in square miles.	Percentage of the out-still area to the total excise area.	Population served by the out-still system (in thousands).	Population served by the distillery system (in thousands).	Percentage of total population served by the outstill system.	Revenue from the outstill system, in lakhs; of rupees.	Revenue from the distillery system, in lakhs of rupees.	Percentage of the out-still revenue to the total revenue from country spirit.
1	2	3	4	5	6	7.	8	9	10
1883-04 . . .	409,741	346,821	54	102,237	91,592	53	84'90	120'60	41
1903-04 . . .	277,462	508,155	35	65,051	157,156	29	69'40	286'14	19

(The above figures are for all India, excluding Burma, Baluchistan and Aden, for which complete information as to revenue, shops, etc., is not available.)

APPENDIX E.

[Vide page 165.]

YEAR.	Consumption of country spirit in distillery areas, in gallons London Proof.	Consumption of country spirit per 100 of the population in distillery areas, in gallons London Proof.	Total revenue derived from country distillery spirit, in lakhs of rupees.	Incidence of the total revenue derived from country distillery spirit per proof gallon, in rupees.
1	2	3	4	5
1883-84 . .	4,534,123	4'95	120'60	2'66
1903-04 . .	6,382,817	4'06	286 14	4'48

(The above figures are for all India, excluding Burma, Baluchistan and Aden, for which complete information as to revenue, shops, etc., is not available.)

APPENDIX F.

[Vide page 165.]

YEAR.	NUMBER OF SHOPS PER 100,000 OF THE POPULATION.			NUMBER OF SQUARE MILES PER SHOP.		
	Outstill areas.	Distillery areas.	Average.	Outstill areas.	Distillery areas.	Average.
1	2	3	4	5	6	7
1883-84 . .	21	26	23	19'3	14'6	16'8
1903-04 . .	17	15	16	25'2	22'1	23'6

(The above figures are for all India, excluding Burma, Baluchistan and Aden, for which complete information as to number of shops, etc., is not available.)

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at the Viceregal Lodge, Simla, on Friday, the 14th July, 1905.

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir Denzil Ibbetson, K.C.S.I., Lieutenant-Governor of the Punjab.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

The Hon'ble Major-General Sir E. R. Elles, K.C.B., K.C.I.E.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Mr. H. Erle Richards, K.C.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Sir C. L. Tupper, K.C.I.E., C.S.I.

The Hon'ble Mr. T. Gordon Walker, C.S.I.

NEW MEMBER.

The Hon'ble MR. GORDON WALKER took his seat as an Additional Member of Council.

COURT-FEES (AMENDMENT) BILL.

The Hon'ble SIR ARUNDEL ARUNDEL moved that the Bill further to amend the Court-fees Act, 1870, be referred to a Select Committee consisting of the Hon'ble Mr. Erle Richards, the Hon'ble Mr. Baker and the mover. He said :—
“ My Lord, I introduced this Bill at the meeting of this Council in Calcutta on the 10th March. It has been published in the official Gazettes, and comments

[*Sir Arundel Arundel; Major-General* [14TH JULY, 1905.]
Sir Edmond Elles.]

and suggestions, chiefly on minor and technical points, have been received from the Local Governments and the High and Chief Courts. These will be for consideration in Select Committee."

The motion was put and agreed to.

INDIAN ARTICLES OF WAR (AMENDMENT) BILL.

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES moved for leave to introduce a Bill further to amend the Indian Articles of War. He said:—"Under the new distribution of the Army (India Army Order No. 768 of 1904), General and other Officers Commanding Brigades are to have the same powers as were formerly exercised by Officers Commanding Districts.

"It is therefore necessary to amend Article 4 (1) (b) and Article 161 of the Indian Articles of War, which confer certain powers on Officers Commanding Districts in order to enable Officers Commanding Brigades to exercise the same powers. It is to effect these amendments that the present Bill has been proposed."

The motion was put and agreed to.

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES introduced the Bill.

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in English in the Gazette of India and in the local official Gazettes.

The motion was put and agreed to.

The Council adjourned to Tuesday, the 18th July, 1905.

SIMLA;	}	J. M. MACPHERSON,
The 14th July, 1905.		<i>Secretary to the Government of India,</i> <i>Legislative Department.</i>

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at the Viceregal Lodge, Simla, on Tuesday, the 18th July, 1905.

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir Denzil Ibbetson, K.C.S.I., Lieutenant-Governor of the Punjab.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

The Hon'ble Major-General Sir E. R. Elles, K.C.B., K.C.I.E.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Mr. H. Erle Richards, K.C.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Sir C. L. Tupper, K.C.I.E., C.S.I.

The Hon'ble Mr. T. Gordon Walker, C.S.I.

INDIAN ARTICLES OF WAR (AMENDMENT) BILL.

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES moved that the Bill further to amend the Indian Articles of War be taken into consideration. He said:—"The Bill is of a purely formal and non-contentious character, and I do not propose to say anything further regarding it."

The motion was put and agreed to.

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES moved that the Bill be passed.

The motion was put and agreed to.

[*Mr. Baker.*]

[18TH JULY, 1905.]

INDIAN COINAGE BILL.

The Hon'ble MR. BAKER moved for leave to introduce a Bill to consolidate and amend the law relating to Coinage and the Mint. He said:—
“The present Coinage Act was originally passed in 1870. Some of its provisions, such as that which relates to the coinage of gold mohurs and other gold coins, are obsolete : and some others are not altogether appropriate to the conditions of the present time. It is proposed to make the necessary amendments in respect of these matters in the present Bill.

“In addition to these points, however, which are of minor consequence, there are three matters of importance with which it is proposed to deal in the Bill.

“In the first place, it is desired to take power to coin and issue a nickel coin of the value of one anna. We have already consulted public opinion on this project, and have ascertained that it is entirely favourable. It is therefore unnecessary to dwell at length upon it. If the experiment should prove successful, the question of extending the use of nickel to coins of the denomination of half an anna and two annas respectively will be for consideration hereafter : but this step is not contemplated at present, and no provision is made for it in the Bill.

“Secondly, we desire to take power to substitute bronze coins for the copper subsidiary coinage now in use. Here also, we have already ascertained that public opinion is in favour of the change. We shall take power to continue to coin copper until the Mints have been equipped for the production of bronze coins ; but that will not, I hope, be for more than a comparatively short time.

“The third substantive alteration in the law which it is proposed to make relates to the treatment of light weight silver coins.

“The present law on this subject is contained in sections 16 and 17 of the Act of 1870. These provide that when a genuine coin which has lost more than 2 per cent in weight by reasonable wear is tendered to a Government officer empowered under the Act, he shall cut or break it, and shall pay for it at the rate of one rupee per tola.

“When the Act of 1870 was passed, the Mints were open to the free coinage of silver, and a rupee of full weight was always necessarily worth exactly the same as the silver contained in it. If therefore a person presented a short-weight rupee, the loss he suffered by cutting or breaking was exactly proportionate to the shortage in weight, and it was not inequitable that he should suffer this loss.

18TH JULY, 1905.]

[*Mr. Baker ; the President.*]

“ But when the Mints were closed and the rupee became a token coin, the value of the silver contained in it became widely different from, and less than, its face value. If therefore the provisions of the present Act were strictly applied, the result would be to mulct the tenderer of a short-weight rupee not only of the proportion of value due to the shortage, but also of the whole difference between the bullion value and the face value of the coin. This was productive of hardship to innocent holders ; and in order to minimize this, in 1899 Government issued a notification declaring that they would receive rupees which were short weight by not more than $6\frac{1}{4}$ per cent (and had not been tampered with) at their face value, and also that they would receive rupees which were short by more than $6\frac{1}{4}$ per cent but not more than 25 per cent at reduced rates ranging from 14 annas to 12 annas to the rupee.

“ Under the Act as it stood, Government had no express authority to do this though its action was perfectly legal, being merely a relaxation in favour of the public of the strict letter of the law. But it is manifestly undesirable to maintain on the Statute Book a provision which is admittedly harsh and inequitable, and which is not enforced in practice. We therefore propose to modify the provisions of the existing law so as to conform to the practice which experience has shown to be appropriate. This is done in clause 17 of the present Bill. We do not in this clause fix the actual percentages corresponding to the $6\frac{1}{4}$ per cent and 25 per cent to which I have referred, but we take power to determine them by rules, subject always to the legal remedy.”

The motion was put and agreed to.

The Hon'ble MR. BAKER introduced the Bill.

The Hon'ble MR. BAKER moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English, and in the local official Gazettes in English and in such other languages as the Local Governments think fit.

The motion was put and agreed to.

MILITARY ADMINISTRATION OF INDIA.

His Excellency THE PRESIDENT said :—

“ The public will desire to be informed of the settlement that has been arrived at of the questions concerning our future military administration that

[*The President.*]

[18TH JULY, 1905.]

have lately been under discussion between the Home Government and the Government of India. Seven months ago this question was referred to us, upon their own initiative, by His Majesty's Government: and the Government of India submitted their views to the home authorities in March last in papers which have since been published. The reply of His Majesty's Government reached Simla a month ago, and has similarly been made public. Upon receipt of this Despatch the Government of India learned to their regret that the advice which they had all but unanimously tendered to His Majesty's Government had not been so fortunate as to meet with the acceptance of the latter. They were instructed to introduce without delay a form of military administration, of which they learned only for the first time in the Despatch of the Secretary of State, and they may be pardoned if they were somewhat surprised at the manner in which it was thought necessary to convey these orders. With the utmost desire to carry out loyally a policy decided upon by His Majesty's Government, I was unable conscientiously to assume the responsibility of introducing an organisation in the practicability of which I could not bring myself to believe, and as to which I found that my Colleagues were in agreement with myself. In these circumstances it became my duty respectfully to represent this position to His Majesty's Government, and to urge upon them such modifications as might remove the principal drawbacks from which the scheme appeared to us to suffer. These modifications have without exception been accepted by His Majesty's Government, and it is desirable that I should now explain them in some little detail to the Indian public, which is vitally concerned in the form and methods of our military administration, and which has followed every phase of the recent discussion with absorbing interest.

"If a reference be made to the Despatch of 23rd March last, and the accompanying Minutes, in which the views of the Government of India were stated, it will be found that the points to which we attached the greatest importance in any system of Indian military administration were, firstly, that the statutory control over the army of the Governor General in Council should remain unimpaired; secondly, that the Government of India should possess independent expert advice, to enable them to decide upon the merits of the military proposals brought before them; and, thirdly, that the head of the Government should not be placed in a position in which the responsibility of this decision should be shifted from the collective shoulders of the Government on to his. I may refer more particularly to paragraph 11 of our Despatch, in which we wrote as follows:—

'The question may be thus stated: is it desirable that the Government of India should possess only a single and supreme Military adviser controlling the entire military organisation, or is it desirable that they should continue, as now, to have a second expert opinion

[*The President.*]

[18TH JULY, 1905.]

upon matters which, in the ordinary course of administration, come before them for decision? We feel no hesitation in answering this question. We cannot too strongly or emphatically express our conviction that the Military Member is an essential element in the Government of India, and our reasons are the following. As long as the Governor General in Council continues to be responsible for the government of the army, he requires expert advice in order to enable him to deal satisfactorily with the proposals that are submitted to him by the Executive head of the army. It is our experience that successive Commanders-in-Chief enter upon their duties with very different ideas and originate very different proposals. In these circumstances it is of extreme importance that the principles, the history, and the tradition of each case should be presented to the members of the Government before they are called upon to decide.

“Those were our recorded views, and it was because the scheme sent out to us by the Secretary of State did not appear to us to satisfy these essential conditions that we felt bound to attempt to secure its amendment. We informed His Majesty’s Government that unless modified in important particulars, it would, in our opinion, be unworkable in operation; that it would imperil the control of the Governor General in Council; and that it would impose an undue burden upon the Viceroy while depriving him of indispensable advice.

“The manner in which we sought to remove these evils was as follows :—

“In the first place, it seemed to us that the new Military Supply Member, as sketched in the Despatch of the Secretary of State, might be without the authority and experience, and would certainly be without the opportunities, that would enable him to give to the Government of India the independent assistance of which I have spoken. It appeared to us that he would be little more than a purveyor of military stores and supplies; and that his advisory functions on general military questions would not be called into existence until a case was brought before Council, or, in other words, until it might be too late to be of practical use. The language of the Despatch appeared to us further to be ambiguous in respect of his military qualifications and powers, for we were told that his functions were to be essentially those of a civilian administrator with military knowledge and experience—a definition that seemed on the whole to postulate a soldier, for how could a civilian possess military experience?—and yet that his duties were to be more of a civil than a military nature—a phrase that seemed to be not incompatible with the appointment of a civilian—and further that he was specially to advise the Governor General in Council on questions of general policy as distinct from purely military questions—a distinction which seemed to contravene the previous definition of his duties, and which we thought that it would not be possible in practice to maintain.

[*The President.*]

[18TH JULY, 1905.]

"We accordingly represented to the Secretary of State that the functions which His Majesty's Government proposed to assign to the Military Supply Member could not properly be performed except by a soldier, and that such, in our opinion, he ought always to be, just as the Military Member has hitherto invariably been. We did not ask that any alteration should be made in the existing law that regulates the appointment of Members of Council, but we represented that the nomination of a civilian would be fatal to the safeguards which we desired to create. His Majesty's Government have not of course the power to bind their successors except by the precedent which they are about to create. The first appointment, however, which will be that of a military officer, will set an example which I venture to think that no future Government will be found to depart from. For from the day that a civilian is appointed to the office the administrative system which is now being set up will, in my judgment, even if it has lasted as long, be fated to disappear.

"Secondly, in order to clear up the ambiguities in the position of the Military Supply Member, and to place the full benefit of his military knowledge and experience at the disposal of the Viceroy and his Colleagues, we proposed that, outside the necessary functions of his department, he should be available for official consultation by the head of the Government on all military questions, without distinction, and not only upon questions of general policy or where cases are marked for Council. We proposed that identical conditions should apply to both Military Departments, and that upon the submission of any case from either department, the Viceroy should, if he considers it necessary, refer it to the head of the other Department for advice. We informed the Secretary of State that we did not anticipate that this would become the general practice in either case; but that the power of reference was required in order to relieve the Viceroy of a burdensome responsibility, and that in our view it would, when resorted to, tend to promote co-ordination. His Majesty's Government informed us in reply that these proposals were consistent with the right of the Viceroy to consult any Member of his Council on any subject, and that there would, therefore, be no objection to concede them, without giving to either Member any special right to be consulted or to note upon the proposals of the other. How important this concession is may be seen by a contrast with the terms of the Secretary of State's Despatch, in paragraph 25 of which we had been informed that in future the Commander-in-Chief would be the sole expert adviser of the Government on purely military questions. I am myself of opinion that with two Military Officers of distinction upon the Executive Council, nothing could be more unwise than to separate them, so to speak, into watertight compartments and compel each

18TH JULY, 1905.]

[*The President.*]

to work in complete detachment from the other. The more they co-operate and know of each other's policy and views, the better it will be both for the Government of India and for the Indian Army.

"It was with the same object in view, namely, to secure complete foreknowledge of all important military questions by both our military advisers and to ensure harmonious co-operation between the two Departments and their heads, that we made a further proposal. The Secretary of State had suggested in his Despatch the revival of the Mobilisation Committee with the Military Supply Member sitting upon it. We proposed to lay down that all important changes in military organisation or conditions of service of all ranks, or in customs affecting the Native Army or its departments, which might originate from either Military Department, must of necessity be submitted for discussion to this Committee or to an analogous Committee with such other more suitable designation as might be decided upon, and that the Commander-in-Chief and Military Supply Member should be essential Members of this Committee. This will mean that no important changes affecting the Native Army, or indeed any portion of the Army, can be put forward without running the gauntlet of a highly competent expert body upon which the principal Military Officers at the Head-Quarters of Government will sit, and at whose meetings both the Military Advisers of the Government of India must be present. This rule will provide for the exhaustive discussion from every point of view of all military proposals, and should relieve the Governor General in Council of a good deal of preliminary work which might otherwise fall either upon the Viceroy or upon his Colleagues.

"Our next proposals were directed to securing that the Government of India should be effectively and powerfully represented in the new Army Department, and that means should be provided by which the head of the Government should be kept in the closest touch with its policy and proceedings. The Secretary of State's Despatch had been silent as to the rank of the new Secretary to Government in this Department. It will be this officer who will be the ordinary channel of communication between the Department and the Viceroy, who will possess the access to the latter enjoyed by all Secretaries to Government, and who will be the custodian inside the Department of the traditions and principles of the Government of India. We thought that it would be invidious if this officer, as the official representative of Government, were of lower rank than his Colleagues at the head of other branches in the Department, and we accordingly proposed that he should be either a Major General or, if a Colonel, that he should have the local rank of Major General. This proposal was agreed to.

[*The President.*]

[18TH JULY, 1905.]

“ Finally, we proposed to draw up a definite schedule of all cases in the Army Department which it should be the duty of the Secretary to Government in the Department to submit to the Viceroy before orders could be passed upon them. This was intended as an additional safeguard to the full and complete knowledge and control by the Governor General. The idea met with the approval of His Majesty's Government.

“ The whole of the above proposals, which were put forward with the concurrence of the Commander-in-Chief, were submitted by us to the Secretary of State as the minimum which in our judgment was necessary in order to render the new organisation practicable. The Secretary of State informed us in his final reply that they did not contravene the provisions of his despatch, and that some of them were in exact fulfilment of the wishes and intentions there conveyed. We were very glad to make this discovery ; since while securing points to which we attached the utmost importance, we learned that we were at the same time acting in accordance with the desires of His Majesty's Government.

“ Whether the system thus modified will be in any way superior to that with which we have hitherto been familiar, or whether it will possess any permanent vitality, the future alone will show. We have seen so many schemes of military organisation rise and fall in recent years, that prophecy is dangerous. The new scheme is not of our creation. All that we have been in a position to do is to effect the removal of some of its most apparent anomalies and to place its various parts in more scientific relation to each other. We have converted the position of the Military Supply Member into one of greater efficacy and utility. We have very considerably strengthened the guarantees for civil supervision and control. In the last resort I expect that the new system, like the old, will depend in the main upon the personal equation for its success or failure.

“ It is only necessary for me to add, upon the wider aspect of the case, that the sole object which my Colleagues and myself have had in view since the commencement of the present discussion has been the maintenance of the constitutional authority of the Government of India. Individual views or susceptibilities are of minor importance. We hold that it would be incompatible with the proper conduct of Indian Government if the full degree of intelligent and informed control over military matters conceded to the Governor General in Council by the law were to be weakened. No one who has been responsible for the Government as long as I have can be blind to the importance of this consideration ; and that Governor General would, in my judgment, be untrue to his

18TH JULY, 1905.]

[*The President.*]

office who did not regard it as his bounden duty to sustain the prerogative which was conceded to the Government of India as far back as three-quarters of a century ago."

The Council adjourned to Friday, the 11th August, 1905.

J. M. MACPHERSON,

*Secretary to the Government of India,
Legislative Department.*

SIMLA ;

The 20th July, 1905. }

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at the Viceregal Lodge, Simla, on Friday, the 8th September,
1905.*

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir Denzil Ibbetson, K.C.S.I., Lieutenant-Governor of the Punjab.

The Hon'ble Major-General Sir E. R. Elles, K.C.B., K.C.I.E.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Mr. H. Erle Richards, K.C.

The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Sir C. L. Tupper, K.C.I.E., C.S.I.

The Hon'ble Mr. T. Gordon Walker, C.S.I.

COURT-FEES (AMENDMENT) BILL.

The Hon'ble SIR ARUNDEL ARUNDEL presented the Report of the Select Committee on the Bill further to amend the Court-fees Act, 1870. He said :—
"Only two slight alterations of an unimportant character have been made in the Bill. I have nothing further to add."

BENGAL AND ASSAM LAWS BILL.

The Hon'ble MR. RICHARDS moved for leave to introduce a Bill to make certain provision regarding the application of the law in force in the Province of Eastern Bengal and Assam and in certain territory transferred from the Central Provinces to Bengal. • He said :—"By a recent proclamation, the Chief Commissionership of Assam has been created a Lieutenant-Governorship under the title of the Province of Eastern Bengal and Assam. At the same time certain territories have been transferred from Bengal to the new Province, and the district of Sambalpur with some small exceptions has been transferred from the Central Provinces to Bengal. Under the provisions of the Indian Councils Acts, the existing law continues in force in the new Province until repealed or

* NOTE.—The Meeting of Council which was fixed for the 11th August, 1905, was subsequently postponed to the 8th September, 1905.

[*Mr. Richards.*]

[8TH SEPTEMBER, 1905.]

altered, and in order to make that law applicable to the changed conditions some modifications and adaptations are required. It is for this purpose that the Bill which I have the honour to introduce has been framed. It is little more than formal and follows the precedent of the Acts passed on the severance of Assam and Sylhet from Bengal in 1874.

"The Bill consists of seven clauses and some Schedules. The first and last of these clauses are entirely formal. They deal with the short title, date of commencement and repeal. The second is a purely drafting clause. The third provides for the substitution of the authorities of the new Province for the existing authorities in the construction of Statutes and other enactments. The fourth creates a Board of Revenue for the portions of Bengal transferred to the new Province corresponding in all respects to the Board which at present exercises jurisdiction over the territory transferred. The fifth clause gives powers to the Courts and to the Local Government to make minor modifications in the construction of enactments if any such are found necessary. The sixth clause saves pending proceedings.

"It will be observed that the Bill makes no change of substance in the law, except in so far as it creates a new Board of Revenue for the part of Bengal transferred to the new Province. But in doing that it only sets up a Board corresponding in every particular to the Board of Revenue which at present exercises jurisdiction over those territories. In fact the scope of the Bill is confined, as its title implies, to the application as distinct from the amendment or alteration of the existing law."

The motion was put and agreed to.

The Hon'ble MR. RICHARDS introduced the Bill.

The Hon'ble MR. RICHARDS moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in English in the Gazette of India, the Calcutta Gazette, the Central Provinces Gazette and the Assam Gazette.

The motion was put and agreed to.

The Council adjourned to Friday, the 29th September, 1905.

H. W. C. CARNDUFF,

SIMLA ;
The 8th September, 1905. }

*Offg. Secretary to the Government of India,
Legislative Department.*

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at the Viceregal Lodge, Simla, on Friday, the 29th September, 1905.

PRESENT :

His Excellency Baron Curzon, P.C., G.M.S.I., C.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir Denzil Ibbetson, K.C.S.I., Lieutenant-Governor of the Punjab.

The Hon'ble Major-General Sir E. R. Elles, K.C.B., K.C.I.E.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Mr. H. Erle Richards, K.C.

The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Sir C. L. Tupper, K.C.I.E., C.S.I.

The Hon'ble Mr. T. Gordon Walker, C.S.I.

COURT-FEES (AMENDMENT) BILL.

The Hon'ble SIR ARUNDEL ARUNDEL moved that the Report of the Select Committee on the Bill further to amend the Court-fees Act, 1870, be taken into consideration.

The motion was put and agreed to.

The Hon'ble SIR ARUNDEL ARUNDEL moved that the Bill, as amended, be passed.

The motion was put and agreed to.

BENGAL AND ASSAM LAWS BILL.

The Hon'ble MR. RICHARDS moved that the Bill to make certain provisions regarding the application of the law in force in the Province of Eastern Bengal and Assam and in certain territory transferred from the Central Provinces to Bengal be taken into consideration. He said :—" My Lord, I have on a former occasion explained to the Council the object of the Bill which is now

[*Mr. Richards; Mr. Hewett.*]

[29TH SEPTEMBER,

before the Council. I pointed out then that the scope of the Bill was confined to the application of the existing law as distinct from the amendment or alteration of it, and that it was merely ancillary to the proclamation by which the new Province of Eastern Bengal and Assam has been created. The Bill has been published in the usual way in the Gazette of India, the Calcutta Gazette, the Central Provinces Gazette and the Assam Gazette in accordance with the resolution of this Council. No objections have been taken to it and no amendments have been proposed. It is unnecessary therefore for me to do more than formally to move that the Bill be now taken into consideration."

The motion was put and agreed to.

The Hon'ble MR. RICHARDS moved that the Bill be passed.

The motion was put and agreed to.

INDIAN FACTORIES (AMENDMENT) BILL.

The Hon'ble MR. HEWETT moved for leave to introduce a Bill further to amend the Indian Factories Act, 1881. He said :—" The Bill is designed to secure additional protection for the health and safety of operatives in factories. The opportunity has been taken to bring within its scope certain small factories which are at present excluded from the operation of the Act, on account of the fact that they are open for short periods only in each year; partly on account of this peculiarity, and partly owing to the fact that such factories are usually owned by small proprietors, they are not infrequently the scenes of serious abuses, and it has been considered desirable to take powers which will enable our officers to supervise such places efficiently in future.

" The amendments contained in the Bill are noticed in detail in the *Notes on Clauses*, and it is only necessary for me to refer to two or three of the proposed changes. Clause 4 requires that a notice regarding the midday stoppage of work, which is provided for by section 5A of the Act, shall be posted up in each factory. This addition has been made with the object of facilitating convictions for breach of the rule, as it has been found that, unless such a notice is posted, direct and satisfactory evidence of a breach of the provisions of section 5A of the Act is seldom obtainable.

" A clause has also been introduced with the object of bringing within the scope of the penalty imposed by section 15 of the Act all acts or omissions

29TH SEPTEMBER, 1905.] [Mr. Hewett.]

which are contrary to the provisions of the Act, or of the orders and rules issued thereunder and which are not covered by specific clauses in the existing measure.

“ Clause 9 has been framed with the object of securing that there shall always be some responsible person who can be at once proceeded against in respect of breaches of the Act, and experience has shown that a provision of this nature is absolutely essential.

“ The occurrence of fires in factories, which resulted in a lamentable loss of life among the operatives, has demonstrated the necessity that power should be taken to prevent smoking, and the use of naked lights in certain circumstances, and to insist on the provision of sufficient means of exit in case of fire. Clause 10 (3) of the Bill provides for these matters.

“ With these remarks, my Lord, I beg for leave to introduce the Bill.”

The motion was put and agreed to.

The Hon'ble MR. HEWETT introduced the Bill.

The Hon'ble MR. HEWETT moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English, and in the local official Gazettes in English and in such other languages as the Local Governments think fit.

The motion was put and agreed to.

The Council adjourned *sine die*.

H. W. C. CARNDUFF,

SIMLA :	}	Offg. Secretary to the Government of India,
The 29th September, 1905.		Legislative Department.

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Friday, the 15th
December, 1905.

PRESENT :

His Excellency the Earl of Minto, P.C., G.C.M.G., G.M.S.I., G.M.I.E., Viceroy
and Governor General of India, *presiding*.
His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.
His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M.,
G.C.M.G., Commander-in-Chief in India.
The Hon'ble Sir A. T. Arundel, K.C.S.I.
The Hon'ble Sir Denzil Ibbetson, K.C.S.I.
The Hon'ble Mr. H. Erle Richards, K.C.
The Hon'ble Mr. E. N. Baker, C.S.I.
The Hon'ble Major-General C. H. Scott, C.B., R.A.
The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Dar-
bhanga.
The Hon'ble Rai Sri Ram Bahadur.
The Hon'ble Mr. L. A. S. Porter.
The Hon'ble Mr. L. Hare, C.I.E.
The Hon'ble Mr. H. A. Sim, C.I.E.
The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.
The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.
The Hon'ble Mr. A. A. Apcar.
The Hon'ble Mr. S. Ismay, C.S.I.
The Hon'ble Mr. W. T. Hall, C.S.I., B.A., LL.B.
The Hon'ble Mr. A. C. Logan.
The Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca.
The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

NEW MEMBERS.

The Hon'ble MR. GOKHALE, the Hon'ble MR. APCAR, the Hon'ble
MR. ISMAY, the Hon'ble MR. HALL, the Hon'ble MR. LOGAN, the Hon'ble
NAWAB BAHADUR KHAWAJA SALIMULLA of DACCA and the Hon'ble
NAWAB SAIYID MUHAMMAD SAHIB BAHADUR took their seats as Additional
Members of Council.

[*The President; Rai Sri Ram Bahadur; Major-General Scott.*] [15th DECEMBER, 1905.]

His Excellency THE PRESIDENT said :—"Your Honour and gentlemen, as this is the first occasion on which I have the honour of taking my seat at this Council Board, I cannot let the opportunity pass without expressing to you the satisfaction it is to me to meet here today the members of the Supreme Legislative Council. I hope that during my period of office we may together be successful in furthering much legislation that may tend to the welfare and happiness of the people of this country. I feel sure that I shall be able at all times to rely fully upon the benefit of your valuable assistance and advice."

QUESTIONS AND ANSWERS.

The Hon'ble RAI SRI RAM BAHADUR asked :—

"I.—In view of the great diversity of opinion which prevails all over the country on the subject of the new Army scheme and the consideration of the newspaper criticisms thereon, is it the intention of the Government to advise the Secretary of State for India to suspend the enforcement of the scheme, and also to suggest the appointment of an independent Commission (on the lines of the Esher Committee in England) to enquire into the question?"

"II.—Has the attention of the Government been drawn to Lord Curzon's last speech at the Byculla Club, in which His Lordship is reported to have said that in the Army scheme question he had the support of the greater part of the Indian Army? Will the Government be pleased to state if the senior officers of the army, such as Lieutenant-Generals and Major-Generals, were consulted on the subject, and, if so, will the Government be pleased to publish the opinions of such officers?"

The Hon'ble MAJOR-GENERAL SCOTT replied :—

"The reply to the Hon'ble Member's first question and the first part of his second question is in the negative. The reply to the second part of the latter question is also in the negative, as it is not usual for Government to consult the officers mentioned on questions of policy such as the one under consideration."

The Hon'ble RAI SRI RAM BAHADUR asked :—

"III.—Has the attention of the Government been called to the following allegations, contained in the issues of the *Bengalee* newspaper specified below, relating to the state of affairs in Barisal, one of the districts of the new province of Eastern Bengal and Assam, and are the said allegations true?"

[15TH DECEMBER, 1905.] [*Rai Sri Ram Bahadur.*]

(1) That the District Magistrate—

(a) warned some Indian gentlemen of Barisal that, if the bazar was closed through panic caused by the Gurkhas, whatever expenses the Government would be put to in feeding the soldiers, would be recovered from the shop-keepers;

(*The Bengalee*, November 21st, 1905, p. 3.)

(b) told some of the leading Indian gentlemen of the town of Barisal not to hold any meetings for fifteen days;

(*The Bengalee*, November 21st, 1905, p. 3.)

(c) asked Dr. Nisikanta Bose and five other Indian gentlemen to leave the town of Barisal for a fortnight.

(*The Bengalee*, November 21st, 1905.)

(2) That the police ordered the removal of *Bande Mataram* mottoes and placards from the walls and doors of houses, and threatened to bring the Gurkhas if the orders were not complied with.

(*The Bengalee*, November 18th, 1905, p. 4.)

(3) (a) That some Gurkha soldiers have been going round the town, and have been asking people not to utter *Bande Mataram*;

(*The Bengalee*, November 25th, 1905, p. 6.)

(b) that some Gurkha soldiers have been entering houses and shops and removing *Bande Mataram* and Swadeshi placards therefrom;

(*The Bengalee*, November 25th, 1905, p. 3.)

(c) that on the evening of the 23rd November, 1905, the Gurkha soldiers made a sortie into the streets of Barisal and committed assaults upon Babu Shyama Charan Dutt, pleader, and Dr. Nisikanta Bose.

(*The Bengalee*, November 25th, 1905, p. 4.)

IV.—Is it a fact that a telegram addressed to the *Bengalee* newspaper, Calcutta, from Barisal, by its correspondent, on the 18th November, 1905, was stopped and not delivered to the editor to whom it was addressed? If so, why?

V.—Is it the case, as noticed by the *Pioneer* dated the 3rd December, 1905, and other newspapers, that Mr. L. P. Pugh, late officiating Advocate General

[*Rai Sri Ram Bahadur* ; *Sir Arundel Arundel* ; [15TH DECEMBER, 1905.]
Sir Denzil Ibbetson.]

of Bengal, has given his opinion that the proclamation dated the 9th November, 1905, and the two circulars dated the 8th November, 1905, issued by the Government of Eastern Bengal and Assam, forbidding public meetings in public places, the shouting of *Bande Mataram* and holding processions in public streets, are 'unconstitutional and in that sense illegal'? If so, will the Government be pleased to direct the withdrawal of the aforesaid proclamation and circulars?"

The Hon'ble SIR ARUNDEL ARUNDEL replied :—

"The Government of India have no information regarding the newspaper allegations referred to in Question III or as to the legal question referred to in Question V. The matters to which these questions relate are within the competence of the Government of Eastern Bengal and Assam. The Government of India approve of such action being taken by the Government of Eastern Bengal and Assam as may be necessary to suppress the lawlessness and intimidation which appear to have characterised the so-called Swadeshi movement in that province. On educational as well as on public grounds the Governor General in Council cannot condemn too strongly the employment of school boys and undergraduates in any form of political agitation.

"2. With respect to Question IV, the telegram in question was stopped because, in the opinion of the Director General of Telegraphs, it was objectionable."

SINDH INCUMBERED ESTATES (AMENDMENT) BILL.

The Hon'ble SIR DENZIL IBBETSON moved that the Bill to amend the Sindh Incumbered Estates Act, 1896, be referred to a Select Committee consisting of the Hon'ble Mr. Richards, the Hon'ble Rai Sri Ram Bahadur, the Hon'ble Mr. Gokhale, the Hon'ble Mr. Logan, the Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca, and the mover. He said :—"My Lord, the Council will perhaps recollect that last year I introduced this small Bill. For some time after publication no criticisms were received, and it was my intention to propose that the Bill should be passed without reference to a Select Committee. Very late in the year, however, a memorial from the Sind Hindu Sabha was received objecting to the Bill. It was too late then to obtain the opinion of the Local Government, and the Bill had to stand over. We have since received another memorial from the Sind Muhammadan Zamindars' Association in favour

[15TH DECEMBER, 1905.] [*Sir Denzil Ibbetson; Mr. Richards.*]

of the Bill, and it seems proper that these two papers should be considered by a Select Committee."

The motion was put and agreed to.

PRESIDENCY SMALL CAUSE COURTS, BILL.

The Hon'ble MR. RICHARDS moved for leave to introduce a Bill further to amend the Presidency Small Cause Courts Act, 1882. He said :—"The object of this Bill is to remove certain defects in the existing law governing Presidency Small Cause Courts to which the attention of the Government has been called by the High Courts.

"Of these the first is that, according to a decision of the Calcutta High Court, a Presidency Small Cause Court cannot, as between an attaching creditor and the mortgagee of the judgment-debtor, deal in execution proceedings with questions of title to, or determine any right to or interest in, property which is attached to immoveable property, but which under section 28 of the Presidency Small Cause Courts Act, 1882, is for the purpose of execution of a decree to be deemed to be moveable property. It has been represented that the result of this decision is to compel many cases to be brought in the High Court which might well be disposed of by the Small Cause Court, and that the resultant expense and delay are both a hardship to litigants and depreciate the value as security of the property in question. It is therefore proposed by clause 2 of the Bill to empower Small Cause Courts to dispose of such cases.

"The second is the absence of any sufficient check on the exercise by defendants of their right to obtain an order for removal to the High Court of a suit instituted in a Small Cause Court in which the value of the subject-matter exceeds Rs. 1,000. It has been found that such orders are frequently obtained solely with a view to harassing creditors by delay, and it is seldom possible for the Judge to whom the application to transfer is made to decide on the materials before him that it has been made with this object. It is proposed in the Bill to require security to be given in all cases as is the practice under the English County Courts Act in corresponding cases.

"The third defect is the difficulty of reading section 69 of the same Act with section 617, Code of Civil Procedure. Section 69 has been redrafted so as to prescribe the entire procedure to be followed by the Small Cause Court in making a reference to the High Court."

The motion was put and agreed to.

[*Mr. Richards.*] [15TH DECEMBER, 1905.]

The Hon'ble MR. RICHARDS introduced the Bill.

The Hon'ble MR. RICHARDS moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English and in the Fort St. George Gazette, the Bombay Government Gazette and the Calcutta Gazette in English and in such other languages as the Local Governments think fit.

The motion was put and agreed to.

The Council adjourned to Friday, the 12th January, 1906.

CALCUTTA ;
The 15th December, 1905. }

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Act, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Friday, the 19th January, 1906*.

PRESENT :

- His Excellency the Earl of Minto, P.C., G.C.M.G., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.
His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.
His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.
The Hon'ble Sir A. T. Arundel, K.C.S.I.
The Hon'ble Sir Denzil Ibbetson, K.C.S.I.
The Hon'ble Mr. H. Erle Richards, K.C.
The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.
The Hon'ble Mr. E. N. Baker, C.S.I.
The Hon'ble Major-General C. H. Scott, C.B., R.A.
The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Darbhanga.
The Hon'ble Mr. L. A. S. Porter, LL.D.
The Hon'ble Mr. L. Hare, C.S.I., C.I.E.
The Hon'ble Mr. H. A. Sim, C.I.E.
The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.
The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.
The Hon'ble Mr. A. A. Apcar, C.S.I.
The Hon'ble Mr. S. Ismay, C.S.I.
The Hon'ble Mr. W. T. Hall, C.S.I., LL.B.
The Hon'ble Mr. A. C. Logan.
The Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca, C.S.I.
The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

QUESTIONS AND ANSWERS.

The Hon'ble MR. GOKHALE asked :—

“(a) Will Government state for what reasons the practice of appointing an Indian gentleman from the Central Provinces to this Council, which had

* NOTE.—The Meeting of Council which was fixed for the 12th January, 1906, was subsequently postponed to the 19th January, 1906.

prevailed since the Indian Councils Act of 1892 was passed, has been departed from this year?

“(b) In view of the fact that the Central Provinces have no Legislative Council of their own, will Government be pleased to restore to the people of those Provinces, at the earliest opportunity, the advantage of being represented in this Council by an Indian member, as hitherto?”

The Hon'ble MR. RICHARDS replied :—

“(a) Subject to certain provisions which are not material to the present question, the power of appointing any gentleman to be Member of this Council rests entirely with the Governor General. There is no ground for the claim implied by the Hon'ble Member that by right of custom the Central Provinces are entitled to representation by an Indian non-official.

“(b) The views expressed by the Hon'ble Member as to the requirements of the Central Provinces will receive the consideration of the Governor General.”

SINDH INCUMBERED ESTATES (AMENDMENT) BILL.

The Hon'ble SIR DENZIL IBBETSON presented the Report of the Select Committee on the Bill to amend the Sindh Incumbered Estates Act, 1896. He said :—“My Lord, I desire, at the special request of my colleague on the Committee, the Hon'ble Mr. Gokhale, to explain briefly why we have decided to retain clause 2 (b) of the Bill, notwithstanding the exception which has been taken to it by the Sindh Hindu Sabha. It had not occurred to me that the matter called for special mention. But I am glad to be able to comply with my Hon'ble Colleague's wishes, at no greater cost than that of occupying the attention of Council for a few moments.

“The original Sindh Incumbered Estates Act, like other Acts of the same class, was intended to apply only to estates which were of some importance; and, among other limitations, it contained a provision that no ordinary land-holder who had not been assessed to as much as Rs. 300 of land-revenue within a certain period of five years, was entitled to the benefits of the Act. The operation of the Act was limited to a few months, and the five-year period was counted back from the date of its passing.

“When this Act was superseded by the corresponding Act of 1896 which we are now proposing to amend, this provision was retained, and the five-year period was again made to count back from the date of the passing of the new Act.

[19TH JANUARY, 1906.] [*Sir Denzil Ibbetson.*]

“ But the fact was apparently overlooked, that a period which was perfectly suitable in the case of an Act the operation of which was temporary only, was not suited to the case of an Act which (like that of 1895) was of a permanent character. And this for two reasons. In the first place, as time goes on, it becomes increasingly inconvenient and increasingly difficult to ascertain, by reference to the old records, what revenue a certain estate as now constituted paid between 1891 and 1896. And in the second place, the test, in its present shape, tends more and more to grow away from the existing facts to which it is intended to apply it ; and this is especially the case in a territory like Sindh, where, owing to local conditions and the fluctuating nature of the assessment, the revenue demand upon any given area varies much more widely than in other provinces. The Bill before us proposes therefore to make the five-year period count back, not from the passing of the Act, but from the making an application to be admitted to its benefits.

“ The Hindu Sabha dislike the Act ; they regret that it should have been given permanent operation ; and they have persuaded themselves, by a process of reasoning which I confess myself unable to follow, that the proposed change will operate to ‘perpetuate it by making its operation limitless’, and to prevent it from ‘expiring by efflux of time.’

“ This conclusion seems to me a mistaken one. We may safely assume that there will always be in Sindh zamindars who pay, or paid, more than Rs. 300 of revenue, whichever of the two periods we adopt as the test, not to mention jagirdars, to whom also the Act applies ; so that the Act will be permanently operative, whether the proposed change be made or not.

“ The Sabha further urge that the change will render the Act applicable to a new and indefinite class of landowners. But if it is true that the change will admit to the benefits of the Act certain persons who would have been excluded under the old test, it is no less true that the converse case will also occur. And it must be remembered that the provision in question is negative, not positive, in its operation. It provides that no one who does not pay so much as Rs. 300 of revenue shall be entitled to the benefits of the Act ; but it does not provide that every one who does pay so much shall be so entitled. The Commissioner in Sindh has full discretion to reject any application under the Act ; and we may be sure that he will not gratuitously add to the burden of work with which his officers are already laden, by imposing upon them the management of estates, the preservation of which in the hands of the family which owns them will serve no public purpose.

[*Sir Denzil Ibbetson; Mr. Baker.*] [19TH JANUARY, 1906.]

"In any case, it seems obvious that the question whether or no a given estate is so insignificant that it should be excluded by law from the operation of the Act, is one which ought to be answered with reference, not to the conditions which existed in the early nineties, but to those which exist at the moment when it is proposed to apply the Act; and that the proposed change is desirable on grounds both of convenience and of practical utility."

INDIAN COINAGE BILL.

The Hon'ble MR. BAKER moved that the Bill to consolidate and amend the law relating to Coinage and the Mint be referred to a Select Committee consisting of the Hon'ble Mr. Richards, the Hon'ble Rai Sri Ram Bahadur, the Hon'ble Mr. Sim, the Hon'ble Mr. Aparcar and the mover.

The motion was put and agreed to.

INDIAN STAMP (AMENDMENT) BILL.

The Hon'ble MR. BAKER moved for leave to introduce a Bill further to amend the Indian Stamp Act, 1899. He said:—"My Lord, the changes which it is the object of the Bill to introduce in the law are three in number, and are all of comparatively small individual importance. The first of them provides for a revision of the rates of stamp-duty payable on fire insurance policies. It has been represented to the Government of India by the principal Chambers of Commerce and by various Fire Insurance Associations that the rates of duty prescribed by Article No. 47 (B) of Schedule I of the Act are unequal and in certain cases unduly high, and it was suggested by these bodies that they should be reduced to a uniform all-round rate of one anna per policy issued or re-issued. The Government of India have considered this proposal in consultation with Local Governments and Administrations, and although they are not prepared to grant so large a reduction as was asked for, they are of opinion that the present rates are unnecessarily high. It is accordingly proposed in the Bill to sweep away the present schedule of rates which vary according to the amount and period of the policy. In their place we substitute, firstly, a fixed duty of four annas in respect of every original policy when the sum insured is less than Rs. 5,000, and of eight annas in every other case; secondly, we impose a duty of equal amount on the payment of every premium. The effect of this arrangement is to tax all original policies of less than Rs. 5,000 to the extent of eight annas, and those of higher amount to the extent of one rupee, while every renewal or re-issue of a policy will carry a duty of one-half of these rates. The Government of India are of

[19TH JANUARY, 1906.]

[*Mr. Baker.*]

opinion that under the arrangement proposed it is desirable to impose the liability to stamp the policies and receipts upon the Companies which issue them. This condition has not been objected to by the various Fire Insurance Associations who have been consulted by the Local Governments.

“Secondly, the Bill provides for the legalisation of an existing but illegal practice of dividing the stamp-duty payable on marine insurance policies between copies drawn in duplicate. Prior to the passing of Act VI of 1894 the duty on these policies was four annas for each Rs. 1,000 insured, the duty being equally divided between each part when the policies were drawn in duplicate. As a result of representations made to Government by Marine Insurance Associations in Calcutta and Bombay, the Indian rates were in 1894 reduced to bring them into line with the rates chargeable in the United Kingdom on similar policies. The provisions of Act VI of that year, which followed, as far as possible, those of the English Stamp Act of 1891, made no mention of the duties leviable on the separate parts of policies executed in duplicate. At that time the effect of Article 23 of Schedule I of Act I of 1879 (which corresponds to Article 25 in the present Act), which prescribed a duty on the counterpart or duplicates of instruments, appears to have been overlooked. While, therefore, the intention was that the duties then imposed should represent the total duty on each policy whether executed singly or in duplicate, a small additional duty was actually leviable under the law on the duplicates of such policies. The practice, however, of dividing between two forms the stamp-duty payable on one policy of marine insurance appears to have continued till it was recently objected to by the Superintendent of Stamps, Bombay. The Government of India have considered representations on the subject addressed to them by the Chambers of Commerce in Bombay, Karachi and Madras, and it is now proposed to legalise the existing practice and to allow the total stamp-duty prescribed by Act VI of 1894 to be divided between copies of marine insurance executed in duplicate as was provided by Act I of 1879.

“The third object of the Bill is to introduce certain other unimportant amendments to which effect has already been given by executive order. These relate (1) to the admission of private banking firms to the benefit allowed by section 51 of the Act in regard to the refund of the value of unused stamped papers, (2) to a general exemption from duty of copies of, or extracts from, certificates relating to births, baptisms, marriages and deaths, and (3) to the reduction of the duty on mortgages of crops when the loan is repayable in more than twelve but not more than eighteen months.”

The motion was put and agreed to.

[*Mr. Baker; Mr. Hewett.*] [19TH JANUARY, 1906.]

The Hon'ble MR. BAKER introduced the Bill.

The Hon'ble MR. BAKER moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English and in the local official Gazettes in English and in such other languages as the Local Governments think fit.

The motion was put and agreed to.

INDIAN MERCHANT SHIPPING (AMENDMENT) BILL.

The Hon'ble MR. HEWETT moved for leave to introduce a Bill further to amend the law relating to merchant seamen. He said :—" My Lord, section 23 of the Indian Merchant Shipping Act of 1859 prescribes that in the case of a foreign-going ship making voyages averaging less than six months in duration, running agreements with the crews may be made to extend over two or more voyages, provided that no such agreement shall extend beyond the next following 30th day of June or 31st day of December, or the first arrival of the ship at her port of destination in India after such date.

" The present law, which, I may say, was not strictly enforced in Bombay till a comparatively recent time, occasions much inconvenience to the steamer companies, particularly at that port. The Government of Bombay and the Bombay Chamber of Commerce are agreed that its enforcement leads to considerable disorganization of labour at the end of each half-year, and that ship-owners experience great difficulty in obtaining efficient crews at or about these dates. The inconvenience is particularly felt in the case of mail vessels which have under contract to leave on fixed dates.

" It is proposed to amend the present law so as to provide that agreements of this nature shall terminate six months after they are entered into. A somewhat similar proposal received the assent of the Secretary of State in 1891, but, for the reason explained in the Statement of Objects and Reasons, it has not hitherto been brought into force. In that year, however, the Government of India made an amendment of section 32 of the Merchant Shipping Act of 1859 in respect of crews for home trade ships, that is, ships plying between ports in India. The Bill has been drafted so as to apply to the crews of foreign-going ships registered in British India under the Merchant Shipping Act of 1894, or registered in the United Kingdom under the same Act but not employed in trading with any port in the United Kingdom, the regulations which already apply to crews on home trade ships plying to ports in India."

The motion was put and agreed to.

[19TH JANUARY, 1906.]

[*Mr. Hewett.*]

The Hon'ble MR. HEWETT introduced the Bill.

The Hon'ble MR. HEWETT moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in English in the Gazette of India and in the Fort St. George Gazette, the Bombay Government Gazette, the Calcutta Gazette, the Burma Gazette and the Eastern Bengal and Assam Gazette.

The motion was put and agreed to.

The Council adjourned to Friday, the 26th January, 1906.

CALCUTTA ;
The 19th January, 1906. }

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

Extract from the Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Friday, the 26th
January, 1906.

PRESENT :

His Excellency the Earl of Minto, P.C., G.C.M.G., G.M.S.I., G.M.I.E., Viceroy
and Governor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M.,
G.C.M.G., Commander-in-Chief in India.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Sir Denzil Ibbetson, K.C.S.I.

The Hon'ble Mr. H. Erle Richards, K.C.

The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Major-General C. H. Scott, C.B., R.A.

The Hon'ble Rai Sri Ram Bahadur, C.I.E.

The Hon'ble Mr. L. A. S. Porter.

The Hon'ble Mr. H. A. Sim, C.I.E.

The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.

The Hon'ble Mr. A. A. Apcar, C.S.I.

The Hon'ble Mr. S. Ismay, C.S.I.

The Hon'ble Mr. W. T. Hall, C.S.I.

The Hon'ble Mr. A. C. Logan.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

INDIAN TARIFF (AMENDMENT) BILL.

The Hon'ble MR. BAKER moved for leave to introduce a Bill further to amend the Indian Tariff Act, 1894. He said :—" My Lord, the object of this Bill is to enhance the rate of duty on imported spirits from Rs. 6 per gallon of London proof, which is the present duty, to Rs. 7 per proof gallon. It is also proposed to raise the duties on liqueurs and perfumed spirits to a rate corresponding with the new rate imposed on ordinary spirits.

"The duty on imported spirits was raised to its present figure in March 1890, or nearly sixteen years ago. During this period the imports by sea have risen

from 891,000 proof gallons to 1,238,000 proof gallons, or by nearly 39 per cent., and it is believed that the increase would have been greater, but for the larger production of 'European' spirit in this country. There seems therefore reason to believe that the trade is now able to bear a higher rate of duty.

"But the principal reason for the proposal is this. It is the established policy of Government to raise the rate of duty and the total incidence of taxation on country spirit manufactured in India to the highest figure which is compatible with the prevention of illicit manufacture. In view of the fact that imported spirit and country spirit are liable to compete with one another to some extent, it would clearly be inequitable that the incidence of taxation on country spirit should be heavier than that upon the imported article. On the contrary, the taxation of the latter should be higher than that of the former, for the reason that anything like similar taxation presses more heavily on the consumers of country spirit, who are as a class much poorer than those who drink imported spirit. In other words, the taxation on imported spirit is the high-water mark beyond which the taxation of country spirit cannot go, to any material extent or for any considerable time.

"Now during the past sixteen years, we have, in pursuance of our declared policy, raised the rate of duty and of total taxation on country spirit from time to time throughout the country; and the result now is that in a certain number of districts, taking duty and licenses fees together, the aggregate taxation on country spirit exceeds that on imported spirits, while there is a still larger number in which the former approximates to the latter. We calculate that in the case of imported spirits the incidence of vend fees averages about Re. 1 per gallon, which added to the tariff duty brings up the total taxation on this article to Rs. 7 per proof gallon. If we turn to the case of country spirit, we find that in Madras there are four districts where the aggregate taxation exceeds Rs. 7, and in one district it amounts to Rs. 7-14-4 per gallon. In Bengal the highest rate is reached in the Jessore and Khulna districts, where it is Rs. 12-9-5 and Rs. 11-15-0 per gallon respectively, and there are five other districts with a maximum exceeding Rs. 7. In Eastern Bengal and Assam the rate of Rs. 7 is passed in four districts, the highest being Backergunj with a rate of Rs. 9-15-3 per proof gallon. In the Punjab the maximum rate is Rs. 7-14-8 in the Lyallpur district, and in five others the Rs. 7 standard is exceeded. In the North-West Frontier Province Rs. 8-0-8 is reached in Kohat, and Rs. 7 is reached or exceeded in three other districts.

"It appears to us therefore that the rate of duty on imported spirits is in a considerable part of the country unduly low as compared with that on country

[26TH JANUARY, 1906.]

[*Mr. Baker.*]

spirit, and that the time has come when it should be raised. It is manifest that, until this is done, it would not be possible to raise further the taxation on country spirit, if circumstances should in other respects render it desirable to do so.

"We have consulted the Local Governments on this question, and with one minor exception they are unanimous in agreeing with our conclusions. We propose to raise the duty from Rs. 6 to Rs. 7, or by 16·6 per cent. I may mention that the corresponding duty in England is 11s. 4d. per proof gallon, which is equivalent to Rs. 8-8-0. Even with a Rs. 7 duty, the average incidence of taxation on imported spirit will still fall below the maximum incidence on country spirit in a few districts, but this can be arranged for by a local re-adjustment of the vend or license fees. This is within the province of the Local Governments.

"As regards liqueurs and perfumed spirits, we propose to fix the duties at Rs. 10 and Rs. 11 per bulk gallon. These liquors are usually imported at strengths of 40 % and 60 % over proof respectively, and the rates proposed correspond in round figures to a Rs. 7 duty per proof gallon. It is not proposed to tax them according to strength.

"There is one more point to be mentioned. Ordinarily, when we modify the tariff, the practice is to apply the new rates of duty, whether higher or lower than the old ones, from the date on which the Bill is passed into law. On the present occasion, however, the alteration in the rates is being made not for purposes of revenue, but as an incident of our Excise administration. We therefore propose that the new rates of duty shall come into force one month after the Bill becomes law. The grant of this interval will occasion less dislocation of trade interests than if the enhanced rates were to come into force immediately."

The motion was put and agreed to.

The Hon'ble MR. BAKER introduced the Bill.

The Hon'ble MR. BAKER :—" I now apply to Your Excellency to suspend the Rules for the Conduct of Business, in order to enable me to move that the Bill be taken into consideration at once, and passed today, if the Council considers that it should be passed.

"That is the course which was adopted when the duty on spirits was last raised in 1890 and on other similar occasions as well. The reasons for it are well understood, and it would scarcely have been necessary for

me to offer any remarks in explanation, but for the fact that, as I stated just now, we propose to allow an interval of one month from the date of passing of this Bill, before the enhanced rate of duty comes into force. It might seem at first glance as if the grant of that interval deprives the Bill of its urgency, and renders it unnecessary to pass it at once. But further consideration will, I think, show that that is not really the case. The interval of one month which we propose to allow is sufficient to admit all shipments now at sea on their way to India and also those which are on the eve of being shipped. If, however, we proceed according to the usual legislative methods, we shall virtually extend the period of one month by at least a fortnight or three weeks, and possibly more. Such an extension would enable importers to order out fresh consignments by cable, which would arrive in time for clearance before the new rates came into operation; and the importer would thus be enabled to make an undue profit at the cost of the public and the public revenues. I think therefore that we should conform to precedent and deal with the Bill as a matter of urgency."

His Excellency THE PRESIDENT declared the Rules suspended.

The Hon'ble MR. BAKER moved that the Bill be taken into consideration.

The motion was put and agreed to.

The Hon'ble MR. BAKER moved that the Bill be passed. He said:—"I am not aware whether any Hon'ble Member desires any further explanation with regard to the Bill, but if so I shall be very happy to give it to him. I may, however, explain briefly that the only changes which the Bill will effect in the law are in the rates of duty on the three articles I have referred to, namely, ordinary spirits, liqueurs and perfumed spirits. These alterations will take effect one month from today."

The motion was put and agreed to.

The Council adjourned to Friday, the 16th February, 1906.

J. M. MACPHERSON,

*Secretary to the Government of India,
Legislative Department.*

CALCUTTA;

The 26th January, 1906.

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Saturday, the 17th February, 1906.*

PRESENT :

His Excellency the Earl of Minto, P.C., G.C.M.G., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Sir Denzil Ibbetson, K.C.S.I.

The Hon'ble Mr. H. Erle Richards, K.C.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Major-General C. H. Scott, C.B., R.A.

The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Darbhanga.

The Hon'ble Rai Sri Ram Bahadur, C.I.E.

The Hon'ble Mr. L. A. S. Porter.

The Hon'ble Mr. L. Hare, C.S.I., C.I.E.

The Hon'ble Mr. H. A. Sim, C.I.E.

The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.

The Hon'ble Mr. A. A. Apcar, C.S.I.

The Hon'ble Mr. S. Ismay, C.S.I.

The Hon'ble Mr. W. T. Hall, C.S.I.

The Hon'ble Mr. A. C. Logan.

The Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca, C.S.I.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

SINDH INCUMBERED ESTATES (AMENDMENT) BILL.

The Hon'ble SIR DENZIL IBBETSON moved that the Report of the Select Committee on the Bill to amend the Sindh Incumbered Estates Act, 1896, be taken into consideration.

The motion was put and agreed to.

The Hon'ble RAI SRI RAM BAHADUR moved that the following proviso be inserted after sub-section (2) proposed to be added to section 5 of

* NOTE.—The Meeting of Council which was fixed for the 16th February, 1906, was subsequently postponed to the 17th idem.

[*Rai Sri Ram Bahadur ; Sir Denzil Ebbetson.*] [17TH FEBRUARY, 1906.]

the Sindh Incumbered Estates Act, 1896, by clause 3 of the Bill, as amended by the Select Committee, namely :—

“ Provided that nothing contained in sub-section (1) shall affect the liability of sureties in respect of contracts of suretyship entered into by them before the seventeenth day of February, 1906.”

He said :—“ The object of this proviso is that retrospective effect should not be given to the provisions of this Bill so far as they affect the position of sureties who have already incurred obligations before the passing of this Bill ; in other words, contracts entered into by sureties before this Bill becomes law should not be touched. It will not be fair for the legislature to step in to afford protection to persons who with their eyes open entered into a contract of suretyship and induced the creditors to advance loans to landholders on the strength of the guarantee given by them.

“ Special legislation for affording protection to the landed classes in Sindh has now, in one shape or another, had a place in the provincial Statute-Book for some time past. It cannot, therefore, be said that the persons who have stood security to landholders for money advanced to them, have not been cognizant of the existence of such an important law ; and if with these risks staring in their faces they have incurred the obligations of a surety, they should be the last persons to whom the special protection, which for political reasons is intended to be given to landed classes only, should be extended by retrospective legislation.

“ The Bill recognizes the justice of leaving intact the liability of a surety who in the security bond has agreed, in express terms, to discharge the obligations of the principal debtor, even where the latter seeks the protection of the special provisions of the Sindh Incumbered Estates Act ; sub-clause (2) of clause 3 of the Bill clearly excluding the cases of such sureties from its operation. No adequate reason, it appears to me, can be assigned, why the mere absence of such a stipulation in the security bond should deprive the creditor of his legal rights. The omission might have been caused through mere inadvertence or through ignorance or carelessness on the part of the writer of the bond. I therefore submit that the new provisions of this Bill should apply to only those contracts of suretyship which may be entered into after this Bill becomes law. The public will then have sufficient notice that, unless expressly agreed upon in the bond, the sureties will in future have the same protection as the principal debtors, and it will be their look out in future to stand security for Sindh landholders or not.”

The Hon'ble Sir DENZIL IBBETSON said :—“ My Lord, I regret that I am unable to accept this amendment on behalf of Government. During the ten

[17TH FEBRUARY, 1906.] [Sir Denzil Ibbetson.]

years for which the Sindh Incumbered Estates Act has been in continuous operation, the Sindh money-lenders have been studying it in order to take advantage of its weak points. And among other things, they have discovered that while it protects the principal debtor against extortionate claims, that protection does not extend to the surety; so that if the creditor insists upon a surety to a bond of however iniquitous a character, his claim against the principal indeed will be cut down by the manager, but he can enforce it in full against the unhappy surety. This we propose to remedy, by extending the same protection to the surety as is already enjoyed by the principal. We also propose that this protection should apply to the sureties to existing bonds; in so far, the provision will have retrospective effect; and it is to this that the Hon'ble mover objects.

“Now it is always possible to make out a case of some degree of plausibility against any legislation which has retrospective effect. But I think the Council will agree with me that such a case is at its weakest, when the object of the legislation is to remedy an oversight in the original law which has been taken advantage of in order to defeat the main object of that law; and that is precisely the present case. The Hindu Sabha, which represents the money-lenders of Sindh, virtually admit, in paragraph 3 of their memorial, that the practice of taking sureties has grown up in Sindh in consequence of the weak point which has been discovered in the Incumbered Estates Act, and with the deliberate intention of evading its object and its provisions; ‘otherwise,’ as they say, ‘there could be little reason of their taking surety-bonds.’ We cannot blame the money-lenders for this, but I think that we are justified in defeating their attempt to render the provisions of the law practically inoperative. It must be remembered also that the whole of this remedial legislation with which we are dealing is essentially retrospective in its character, since it applies to claims which existed previous to its enactment. Now, the Act has been renewed three times, so that in making the provision about sureties cover existing surety-bonds, we are only following the principle which has already been four times affirmed by the enactment and re-enactment of the Act, and extending to claims against sureties the principle which has already been four times applied to all other sorts of claims.

“Moreover, the law as it stands is inconsistent with the principles of equity. It is clearly unjust that the liability of the surety should be greater than that of the principal; and that the equitable relief from an extortionate claim

[*Sir Denzil Ibbetson ; Mr. Logan.*] [17TH FEBRUARY, 1906.]

which is afforded to the latter, who has at any rate received some consideration for his bond, should be denied to the former, who has received none. Finally, the device adopted by the creditors, defeats in practice the main object of the Act; since, however much an extortionate claim may have been reduced as against the landowner, if the full sum is decreed against his surety, the manager feels morally bound to reimburse the surety, and thus the relief against extortion which it is the object of the Act to secure, fails to be attained. The Bill is so devised as to prevent this object being frustrated. But if the present amendment is accepted, the money-lender will be able to go on frustrating it in respect of all claims covered by existing security-bonds.

“For all these reasons, I think we are fully justified in giving our new provision retrospective effect, and I oppose the amendment before the Council.”

The Hon'ble MR. LOGAN said :—“My Lord, the Hon'ble Member in charge of the Bill has left me little to say on this question, but I may be allowed to add that the surety in these cases must usually be a relative or close friend of the landholder. The suit against the surety ultimately becomes practically a suit against the estate itself, which thus, as soon as it is released by the efforts of the manager, may be replunged into the same embarrassment as before. Since the argument about the ruthlessness of the manager has been adduced as a reason why the security provision should remain unaffected, I should like to point out that neither the attackers nor the defenders of the Bill have any personal knowledge of the circumstances on the spot, and the allegations of the Sindh Sabha are fully counterbalanced by the statements of the Zamindars' Association. In the absence of any evidence to the contrary, we have no reason to suppose that the ordinary presumption that the British officer will act with perfect equity towards all persons whose claims come under his consideration does not apply to Sindh as well as elsewhere. On looking at the administration reports of past years I see that out of 58 lakhs of claims made against the manager, 25 lakhs have been awarded. Assuming that as a matter of course the money-lender would, in dealing with a European officer, claim about twice as much as he expected to get, it seems to me that the expectations of the money-lenders must have been very fairly satisfied. However that may be, as the Hon'ble Member in charge of the Bill has pointed out, the money-lenders have been living under this Act with a perfect knowledge of the risks they are

[17TH FEBRUARY, 1906.] [Mr. Logan; Rai Sri Ram Bahadur.]

exposed to, and therefore they cannot claim any facilities from Government for defeating or evading the purposes of the Act."

The motion was put and negatived.

The Hon'ble RAI SRI RAM BAHADUR moved that from clause 6 of the Bill as amended by the Select Committee, sub-clause (b) be omitted. He said:—"The object of this amendment is to retain the existing law governing the manager's power to question the validity of leases given by the landholders previous to the commencement of the management of the estates of such landholders by the Government. The present law protects leases dated beyond three years immediately preceding the commencement of the management, from being questioned and cancelled by the manager. The power now sought to be conferred on the manager to cancel leases, no matter how old, and award such compensation as he pleases, and the ousting of the jurisdiction of the Law Courts to question the propriety of his orders in this respect, is open to most serious objections. The Chota Nagpur Incumbered Estates Act appears to have been the earliest legislation in this respect, and in all other subsequent Acts that were passed, section 9 of the first-named Act was reproduced and the power to reopen leases was limited to such as were dated within three years preceding the order making over the estate to a manager for the purposes of the Act. The reason for fixing the time limit is obvious. When a landholder becomes heavily involved, money-lenders may strike with him hard and unconscionable bargains, and when he finds that he cannot get on any longer, he takes protection under the Incumbered Estates Act. The Government taking over charge of such an estate are anxious to save the proprietor, but at the same time are not less anxious that their agents must not attain that object by extinguishing other people's just rights and legal claims. So it is only with regard to recent transactions that the manager is invested with plenary powers to settle them according to his discretion. But respecting leases of long standing which, in many cases may be as good as sales, the jurisdiction of the ordinary Law Courts is left intact. It should also be noted that by the Indian Contract Amendment Act (No. VI of 1899) the law regarding 'undue influence' and 'hard and unconscionable bargains' has been amended in favour of the debtor, and Law Courts have been empowered to reopen all contracts which may appear to press heavily on the debtor owing to any of the above grounds or on the ground of his indebtedness to the money-lender. [See section 16 (r) and illustration (c) to that section.] Thus,

[*Rai Sri Ram Bahadur ; Sir Denzil Ibbetson.*] [17TH FEBRUARY, 1906.]

when under the provisions of the ordinary law, every individual transaction in the shape of a lease or mortgage between the money-lender and the debtor can be reopened by a Court of Justice and equitable relief given to the embarrassed debtor, there seems to be no necessity for investing the manager with those powers, especially as he must be regarded as an interested party in the matter, and at the same time oust the jurisdiction of Law Courts with regard to his decisions respecting cancellation of leases of long standing and adequacy of compensation. In the memorial submitted by the Sindh Hindu Sabha, instances are mentioned where the discretionary power exercised by the manager would have resulted in great injustice, but for the intervention of Law Courts. I believe the Dekhan Agriculturists' Relief Act has also been extended to Sindh. Under that Act also the Law Courts have power to reopen leases and go behind transactions of long standing. In these circumstances, I think, we may trust the Law Courts to grant adequate and proper relief to debtors where such relief is required ; the jurisdiction of these Courts should not be ousted except in cases relating to recent transactions."

The Hon'ble Sir DENZIL IBBETSON said :—" My Lord, I think that in his remarks about the supersession of the jurisdiction of the Civil Courts, the extension to Sindh of the Dekhan Agriculturists' Relief Act, and so forth, the Hon'ble mover has travelled somewhat wide of the point which is before us. The only question with which we are at this moment dealing is, whether the powers which the manager possesses with respect to inequitable leases, shall or shall not be restricted to leases which are of less than three years' standing.

" However, I am not sorry that he has done so, since it gives me the opportunity of pressing upon the Council a consideration which I think should guide us in dealing with all the four amendments upon the notice paper.

" The Sindh Incumbered Estates Act was first passed, with temporary operation, in 1876 ; it was temporarily renewed in 1881, and again in 1884 ; and it was made permanent in 1896. Thus the Act as a whole has been four times before Government and the legislature, and the principles upon which it is based have been four times considered and affirmed.

" Now, the point which I desire to press is, that the Act is not now before us for general revision. Our business today is simply to deal with some small alterations of detail, which the Bombay Government desire to make in it to remove

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certain difficulties that have been experienced in administering the Act. And I think that, in dealing with them, we are bound to regard the principles of the Act as established and accepted, and simply to consider whether the proposed alterations are necessary or advisable in order to give fuller effect to the scheme upon which the Act proceeds.

“I now turn to the amendment before the Council, which I am afraid I must ask them to reject. I have not been able to discover why the operation of the section which empowers the manager to set aside an inequitable lease and eject the lessee, is restricted to leases of less than three years' standing, while the power to evict a mortgagee is subject to no such restriction. The section itself was copied from the Chutia Nagpur Incumbered Estates Act of 1876, and added to the first Sindh Act, which was passed in the same year. Probably the Hon'ble Member is right in his surmise that it was considered that leases entered into only shortly before the state of his affairs induced a landowner to seek relief under the Act, were more likely to have been given on terms unfair to the lessor, under pressure of his urgent need for money. But I think that the legislature was almost certainly influenced by the further consideration that an agricultural lease commonly differs from a mortgage, in that the latter is most often given to a money-lender as security for old debts enhanced by exorbitant interest; while the former is more generally granted to a *bonâ fide* agriculturist with a view to the cultivation of the land.

“Neither of these considerations appears to me to possess much force in its application to the present case; the first, because it is hardly applicable to the law as it stands, and the second, because it has ceased to be true. It may be that old leases are less likely to be inequitable than recent ones; though the same may be said with equal truth of usufructuary mortgages. But if they are not inequitable, they cannot be interfered with under the law; while, if a lease of 5 years, or of 15 years, standing *is* inequitable, I see no reason why its terms should not be as much open to revision as those of a mortgage of similar standing.

“As for the second consideration—that lessees are generally of a different class from mortgagees—the Sindh money-lenders have long ago discovered that, under the provisions of the Act as it stands, the lease possesses distinct advantages over the mortgage, and have taken to making their debtors execute what are virtually mortgages in the form of leases: the result being that the estates under management are involved in costly and protracted litigation in

order to decide whether the instrument is really a lease or a mortgage; while, if it is decided to be a lease, and it is more than three years old, the money-lender escapes the equitable jurisdiction to which it is the object of the Act to subject his claims, since leases as such do not come under the liquidation proceedings. The Bombay Government tell us that leases are now 'almost invariably' of the nature of usufructuary mortgages, and are really the security for old debts and fresh advances, and Mr. Giles, the late Commissioner in Sindh, puts the proportion of leases which are of this character at 'over 95 per cent.'

"Now I should like to show the Council the nature of these leases which the Hon'ble Member desires to protect. When originally proposing the present Bill, the Bombay Government sent us some examples, from among which I have selected three. In the first of them the creditor claimed old debts amounting to Rs. 2,500 which he was unable to prove before the manager. Under the threat of a civil suit, the landowner leased a property for 12 years in satisfaction of this debt. The lease was held to be a mortgage, and was set aside; and the property was actually re-leased at an annual rental of Rs. 1,825. Thus, even supposing the whole amount of Rs. 2,500 to have been equitably due, the money-lender would have obtained in satisfaction of it $12 \times 1,825$ or Rs. 21,900. In the second case, which was of a precisely similar nature, the creditor would have received Rs. 24,700 in satisfaction of an old claim, which could not be proved, amounting to Rs. 4,000; the debtor being at the time in such straits that the terms included Rs. 100 a year (which I have deducted from the above figures) for the maintenance of himself and his family. In the third case the property was leased for 10 years in consideration of Rs. 6,000 paid in advance; and the lessee himself admitted the annual average profits to be Rs. 2,030, or Rs. 20,300 for the whole term of the lease. In this case the lease was really a lease; and as it was more than three years old, it was impossible, owing to the restriction which we desire to remove, and the Hon'ble Member to retain, to interfere with it. I have chosen these cases, not because they are the worst, but because no element of estimate enters into them, the real value of the lease having either been admitted by the lessee himself, or actually obtained in the open market. In the first two cases, the leases were simply securities for old claims of the usual inflated character.

"I do not suggest that all leases are so monstrously inequitable as the three selected specimens. But the specimens suffice to show the sort of thing

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against which we desire to protect the landowner, and why it is necessary to have the same power to revise an inequitable lease as to revise an inequitable mortgage. If it were only that in no other way can ruinous litigation as to the nature of the instrument be avoided, that consideration alone would suffice to justify us in putting both classes of deeds on the same footing; and the Bombay Government, while telling us that there has already been much litigation of this nature, describe the proposal which the Hon'ble Member desires to negative, as being 'the most important of all' their proposals. I therefore oppose the amendment."

The motion was put and negatived.

The Hon'ble Mr. GOKHALE moved that in sub-section (2) proposed to be added to section 22 of the Sindh Incumbered Estates Act, 1896, by clause 6, sub-clause (c), of the Bill, as amended by the Select Committee, for the words "as may appear to the manager to be" the words "as may be" be substituted, and that all the words after the word "circumstances" be omitted. He said:—"My Lord, as I have stated in my minute of dissent, I am in sympathy with the general principles of the Bill, and I should have been glad to give a silent vote in support of the measure, but for the fact that one or two of the provisions of the Bill are open to serious objection and will in my opinion be productive of injustice in practical operation. The Council must have seen by this time that one important change that the Bill proposes to make is where it empowers the manager to disturb even old leases either by revision or cancellation. I say nothing about the policy of re-opening these leases. If it is necessary, in order to secure effectively the objects of the old Act, to disturb these leases, by all means let the manager have that power. But the Legislature should see that in giving this power it does not empower the manager to inflict injustice on an innocent party. It is admitted by the Hon'ble Member in charge of the Bill that some of the lessees who might be dealt with under this provision are likely to be agriculturists. And I would submit to the Council that where a lease has been obtained *bonâ fide* or where it has been obtained by a man who is not a money-lender, there no case whatsoever has been made out for closing to him the Civil Courts in regard to the compensation to which he may be justly entitled. The Hindu Sabha has given instances where the manager set aside two leases—one obtained for Rs. 21,000 and the other for something like Rs. 60,000. In each case the manager declined to pay compensation for cancelling the lease, but

in each case resort to the Civil Courts resulted in compensation being awarded. This shows the danger of making the manager the sole master of the situation which it is now proposed to do, as the Bill leaves the question of compensation practically entirely to the manager. The object of my amendment is two-fold. First to secure that where an old lease has been set aside by the manager, compensation which is not merely equitable in his opinion, but which is reasonable in the circumstances, shall be paid to the lessee. Secondly, if there is a dispute as to whether reasonable compensation has been offered or not, the Civil Courts shall not be closed to the aggrieved party. My Lord, I submit that this proposal to leave everything to the manager is not justified. It is true that the manager is an officer of Government. All the same he is in the position of an interested party. He is expected to free these estates from incumbrances, and naturally his bias must be against the money-lenders or others who may have claims on the property. I do not say that he would be consciously unfair; but his bias may lead him to take a view of the situation involving serious injustice to a lessee. The only argument that I have heard in favour of the proposed provision is that the Civil Courts take a long time in settling disputes. It is said that if the manager has to wait for their decision before taking effective steps to free an estate from incumbrances, then he would have to wait a very long time indeed. I think this objection will be met by what I have proposed in my two amendments. If it is provided that the manager should offer what he thinks fair compensation, leaving it to the other party, the lessee, to accept or refuse it, and to go to Court if he refused it—if this is done and then the power of eviction is vested in the manager after such compensation is offered, the manager would be able to take the estate into immediate possession and the question of compensation will have to be fought out in the Law Courts. One advantage of leaving the Courts open will be to give a due sense of responsibility to the manager. If he knows that his action is liable to be challenged in a Court of law, that in itself will make him hesitate before he offers compensation which is wholly inadequate. I really do not understand why the Government should show such a want of confidence in their own Civil Courts. It is a general feeling that there has been a tendency of late for the executive to encroach upon the province of the judiciary, and I regret that this provision to which I have taken exception is likely to emphasize this impression. The policy of Government in dealing with agricultural indebtedness by means of legislation is also already regarded with a certain amount of prejudice by the people, and this prejudice

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is likely to be still further aggravated by provisions such as this, which in practice will, without doubt, result in injustice and confiscation."

The Hon'ble Sir DENZIL IBBETSON said :—" My Lord, I cannot advise the Council to accept this amendment, because it conflicts with the whole scheme upon which the Act which we are amending is based, and which, for reasons that I have already explained, I consider that we are bound to maintain ; and because it creates a distinction between lessees and all other creditors which I do not think the Hon'ble Mover has succeeded in justifying.

"The law as it stands empowers the manager to set aside at any time a lease the terms of which are inequitable, but makes no provision for compensation. It is obvious that this power might be used so as to work unjustly, since however inadequate the conditions of a lease might be (as in the cases already cited by me) if it were allowed to run its full term, it would still be unfair to cancel it before the lessee had recovered from the profits the amount properly due to him. The Bill before the Council, therefore, introduces an entirely new provision in favour of the lessee, which provides that when the manager sets aside a lease under the Act, he shall at the same time award to the lessee such compensation, if any, as appears to be equitable. But it also provides that the decision of the manager as to the amount of compensation payable, shall, like his decision upon all other claims against the estate, be excluded from the jurisdiction of the Civil Courts. It is this latter provision which the Hon'ble Mover seeks to set aside.

"Now I am told that there is considerable doubt whether, on the true construction of the Act, the Courts have any power at all to award compensation when a lease is cancelled. No such power appears to have ever been assumed by the Bengal Courts under the precisely similar provisions of the Chutia Nagpur Incumbered Estates Act ; and although the Sindh Act has been in force intermittently for 30 years, the power was first assumed by the Sindh Courts so recently as 1901, or only 5 years ago. Now, if the Courts have no such power, our proposed amendment simply provides against a possible injustice, and places the lessee in a very much better position than before.

"The Sindh Courts, however, have assumed the power to award compensation ; and for the purposes of the present legislation we must take it that they have that power. On that understanding, what we propose to do is to follow the essential feature of the scheme upon which the whole Act is based, and to transfer the adjudication upon the claim of the lessee to compensation from the

Civil Court to the manager, as the Act has already transferred the adjudication upon all other sorts of claims.

“The object of the Act, in thus substituting the manager for the Courts as the tribunal by which claims against the estate are to be assessed, is two-fold. In the first place, the terrible costliness of litigation and the delays attendant upon it are avoided; and those Hon’ble Members who know how largely litigation has contributed to the ruin of the landowners of India will appreciate the importance of this object. And in the second place, an equitable jurisdiction is created which is in a position to do substantial justice to both parties, unhampered by the legal technicalities of the Courts. This jurisdiction is exercised by the manager of incumbered estates in Sindh, who is a covenanted civilian, drawn from the same class of officers as occupy the judicial benches of the province, and who is no less reasonable, no less sympathetic, no less just than they. His decisions are subject to appeal to and revision by the Commissioner in Sindh, who, as Hon’ble Members are aware, is an officer of higher position and responsibility than an ordinary Revenue Commissioner, and more nearly approaches in status to a Chief Commissioner.

“The Hon’ble Mover describes the manager as an interested person, and in his minute of dissent he stated that, under our proposals, the lessee was at his mercy. But he is no more at the manager’s mercy than are all the other creditors. And the manager is as much ‘interested’ to do justice to the one party as he is to do it to the other; for no estate is taken under management unless inquiry shows that it is possible to do full justice to the equitable claims of all the creditors, and at the same time to preserve the estate, or a portion of it, to the family which owns it. If this is found to be impossible, management is either refused or relinquished. If it is found to be possible, the manager’s duty is to hold the scales evenly between creditor and debtor; and I am wholly unable to accept the Hon’ble Member’s suggestion that an officer of his standing will be less likely to do what he believes to be just and right if he knows that his decision cannot be called in question by a Civil Court, than if he knew that it can be so revised. As a fact, the greater part of the Hon’ble Member’s arguments are directed against the whole principle upon which the Act is based; and, as I have already pointed out, these principles are not before us today.

“The Hon’ble Member cites from the memorial of the Hindu Sabha, instances in which the manager has refused, while the Courts have awarded,

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compensation to a lessee whose lease has been cancelled. But it by no means follows that the refusal of the manager was unjust. It may well have been more truly equitable than the decision of the Courts; for it is a matter of common knowledge how extremely limited are the equitable powers of Indian subordinate Courts, and how exceedingly timid they are in exercising even such powers as they possess. In the first two cases which I cited just now to the Council, it is probable that, had the lease not been held to be a mortgage, the Courts would have awarded compensation to the dispossessed lessee for the rescission of his contract, notwithstanding the extortionate character of that contract.

"In short, so long as the claims of every description of claimant, including those of mortgagees, are excluded from the jurisdiction of the Civil Courts, I can see no reason for making an exception in favour of the holder of an inequitable lease, and of him alone; and I think that to do so would be unfair to the other creditors, and opposed to the whole principle upon which the Act is based. I therefore oppose the amendment."

The Hon'ble MR. LOGAN said :—"My Lord, the Hon'ble Mr. Gokhale, following the Sindh Sabha, has tried to induce the Council to suppose that the manager invariably loses suits in the Civil Courts, which are continually reversing his decisions and doing justice to his victims. But this is not actually the case. On looking at the statistics of last year I find that out of ten suits against the manager which were disposed of, he lost only three, and that out of five appeals he lost only one. Therefore, in the majority of cases, he wins his suit. Further, I have had the advantage of seeing the judgment in the case of the Rs. 60,000 which was quoted as a monstrous injustice on the part of the manager, and I find that the manager, after investigation of the case, came to the conclusion that the lessee had made between Rs. 1,32,000 and Rs. 1,50,000; and consequently, if any injustice was done in refusing compensation, it could not have been such a serious injustice as we are asked to suppose. If it is answered that since the Courts as a rule side with the manager why not let the situation remain as it is, then I wish to urge that the manager is wrapt in a perpetual cloud of litigation and the situation demands relief. In the past year no less than 44 suits were instituted against him or his estates. I take it, my Lord, that the operations of the money-lender in lending to estates which are likely to come under the Act are very largely of a gambling

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nature. From the figures quoted by the Hon'ble Member in charge of the Bill, it works out that the percentages of profits range from 338 to 876 per cent., which seems to show that these are speculative transactions. The money-lender considers how many times he will be likely to turn over his capital before the landlord applies for the protection of the law and the manager comes in and cuts him off with a rupee. That disappointed and half-satisfied gamblers should, after taking all risks in playing their stakes, be allowed further to harass the manager with suits, seems to be altogether inadmissible; and this I urge as a principal reason why the Council should not accept the amendment and leave these cases open to the jurisdiction of the Civil Courts, supposing that the Courts' jurisdiction hitherto has been legal."

The Hon'ble MR. GOKHALE said:—"My Lord, I wish to say a word or two by way of reply. The Hon'ble Sir Denzil Ibbetson seems to claim for the manager and for executive officers generally a degree of perfection with which we are not familiar in ordinary human beings. The manager, in dealing with these estates, is undoubtedly in the position of an interested party. The Government has appointed him to free certain encumbered estates. He has to submit annual returns to satisfy the Government that has appointed him that he has done so much work and freed so many estates. Naturally his bias would be against lessees, as his object would be to free estates as soon as possible. No one wants to say that the manager would be unfair deliberately, but what I wish to urge is that in spite of a desire to be just and fair he might take steps, or he might arrive at conclusions, which would involve grave injustice to innocent parties. My contention is that even if in one case injustice is perpetuated by the manager with the authority of the law, the legislature is not justified in putting such power into the hands of the manager. The Hon'ble Mr. Logan has told the Council that I have followed the Hindu Sabha in saying that suits brought against the manager by money-lenders are invariably won by the latter. Now I never made any such statement, and I don't know what is his authority for attributing it to me. My contention throughout has been that in the majority of cases the action of the manager may perhaps be correct, but that does not justify his being entrusted with powers which practically make him the master of the situation.

"As regards the percentage of profits and the turn over of capital regarding which Mr. Logan has made some remarks, I really am not in a position to say anything, but it strikes me that the cases which he spoke of must be absolutely

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exceptional, where a profit of 300 to 800 per cent. is made. Cases of that kind must be absolutely exceptional or the zamindars of Sindh must be more imbecile than children. I think that on the strength of such exceptional cases the legislature is not justified in putting such absolute powers into the hands of the manager."

The motion was put and negatived.

The Hon'ble Mr. GOKHALE moved that in sub-section (4) proposed to be added to section 22 of the Sindh Incumbered Estates Act, 1896, by clause 6, sub-clause (c), of the Bill, as amended by the Select Committee, between the word "cancelled" and the word "refuses" the words "and to whom any compensation awarded has been paid or offered" be inserted. He said :—"The object of this amendment is this. The manager sets aside an old lease and he awards a certain compensation to the lessee. The compensation is not actually paid, but the manager merely enters the amount in the list which he keeps in his office; and on the mere strength of his having set down this amount against the money-lender or lessee, he proceeds to evict the lessee and take possession of the estate, which up to that time was in the possession of the lessee. Now this is very hard on the lessee. I recognize that the Select Committee have to a certain extent modified the provisions of the Bill, as originally drafted, in this respect, and as far as it goes the modification is an improvement. As the Bill was originally drafted, there was no provision as to when this compensation may be paid. The Select Committee have given this compensation precedence over all liabilities except the liabilities due to Government. To that extent I think the Select Committee have improved the original Bill. But this does not go far enough. The Hindu Sabha has pointed out that there have been numerous cases where claims have been awarded, but not paid. The amount has been fixed, but though it is several years, it has not been paid and no interest is allowed. We are also told that the manager often finds it difficult to raise loans. I may point out that when the amount of compensation has been settled, it is to the advantage of the estate that the payment of this amount should be postponed as long as possible. If the manager had to pay interest he would pay the amount as soon as possible, because otherwise interest charges would accrue. But since he is not bound to pay interest, it is to the advantage of the estate that the payment to be made should be postponed as far as possible. Now this is most unjust. A lessee may have invested his all in securing a lease. Such cases may be very few, but that does

not affect my argument. He may have enjoyed the lease, or his children may have done so, for a number of years. Suddenly the manager comes in, sets aside the lease and puts down a certain sum in his list as due by way of compensation, and proceeds to evict. What are these people to do? On what are they to live since they have invested their all in securing the lease? Cases of this kind are likely to occur, and it does not seem to me to be right that the legislature should arm the manager with powers to inflict such injustice. My object, moreover, in moving this amendment is larger than this. I want to raise the question of the policy of Government in regard to this matter. The question of agricultural indebtedness has been hitherto sought to be dealt with by the Government by a mere turn of the legislative screw only. The Government in the past have carefully shrunk from accepting any money responsibility. I think this is not the proper way of proceeding to deal with the question. Local Governments have repeatedly urged upon the Government of India the necessity of their advancing money in order that liquidation schemes may be taken in hand and pushed on. If you leave managers to raise money in the open market for the purpose, then it is merely a choice of exchanging one set of creditors for another set of creditors. I have looked up the proceedings of this Council when the Act of 1896 was passed and when the financial policy of the Government of India on this subject was enunciated by Sir James Westland. It must, however, be remembered that the finances of the Government were not in such a prosperous condition in those days, and therefore any enunciation of the policy of the Government made in those days need not hold good today. Sir James Westland remarked that it was quite true, that the Government could borrow at $3\frac{1}{2}$ per cent. and advance at 5 per cent., and this would be not only to the interest of the estate which could not borrow at 5 per cent. in the open market, but it would also be to the interest of the Government, because the Government would be making a profit. But he said that the Government would in that case be entering the money-market in competition with private money-lenders, and thereby inflicting unjustifiable injury on the latter. It would thus seem that a tender solicitude for the interests of the money-lender, who otherwise has always been treated as if he was beyond the pale of civilized society, is at the bottom of the policy of Government. But if the money-lender does not deserve sympathy, what does it matter to the Government whether he has a prosperous business in any particular locality or not? I do not see why his interests should stand in the way of a proposal which in every respect is admitted to be a beneficial one. It must be remembered that the

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Local Governments—notably the Government of Bombay—have always been in favour of the policy I am urging. If the Government revises its present policy and loans are raised by the Government specially for the purpose of freeing incumbered estates, then all these difficulties will disappear. A compensation that is thought fair may at once then be offered and paid to the lessee, and then there would be no grievance so far as his eviction is concerned.

“I understand that the Finance Department has always strenuously resisted the adoption of such a policy, and it may be urged by the Finance Minister that the borrowing powers of Government are limited, and whatever loans can be raised are required for railways and other public works. Now, in the first place, there is nothing to prevent the Government of India from approaching the authorities in England for increased borrowing powers; and, secondly, the surpluses which the Government may have as in recent years might be ear-marked for the relief of agricultural indebtedness. During the last seven years the surpluses have amounted to over thirty millions, and these surpluses have been almost exclusively devoted to the extension of railways. If a considerable portion of this money had been set aside for the relief of agricultural indebtedness, a great deal of good work might have been done. However, there is no use in talking about the past, but there is nothing to prevent the Government in ear-marking such amounts in future. The Finance Department, it may be remarked, need not after all be the whole Government of India, and if the Government will adopt a liberal and courageous policy, the Finance Department will have to carry out that policy.”

The Hon'ble Sir DENZIL IBBETSON said:—“My Lord, this is not a debate upon the Budget, and I do not propose to follow the Hon'ble Mover in his discussion of the financial policy of the Government of India. But I cannot pass without notice one of his assertions. He tells us that the Hindu Sabha, in their memorial, mention numerous cases in which compensation, though awarded, is not paid, because a loan cannot be raised. I do not think he is correct in saying this. So far as I recollect, the Sabha mention no cases; they only make assertions. The Bombay Government do the same; and they tell us that it is the 'usual method' to raise a loan and pay off the creditors, though in some cases this is not done; and that no difficulty is ordinarily experienced in raising money on the security of the estate at the very moderate rate of 6 per cent. interest.

“I now turn to the amendment before us, which I am afraid that I must oppose. Its object is to provide that the holder of an inequitable lease-

(to whom alone the provisions under consideration apply) shall not be put out of possession till after he has been paid any compensation that may be found due to him.

“Now I am not sure that the Hon'ble Mover realises the condition which many of these incumbered estates have reached before they come under the Act. The landowner generally postpones his application until the last moment; and when the manager assumes control, he often finds no tenants on the land, no money in the treasury, and urgent claims on all sides pressing to be satisfied. If he is to save the property and at the same time to meet the just claims of the creditors, it is essential that he should recover possession, at the earliest possible moment, of any portion of the property (usually a picked portion) which, owing to its being held under a lease granted on inadequate terms, fails to contribute what it should do to the revenues of the estate. Meanwhile the owner and his family have to be kept alive, new tenants have to be started on the land, and every penny of available cash is urgently required.

“The Hon'ble Member draws a moving picture of the lessee who has invested his all in a lease, and is evicted before he has obtained his compensation, and in his minute of dissent he heightened the effect by introducing a starving family. I confess that the picture does not affect me, for I regard it as wholly imaginary. The man who will starve with his family for want of compensation, is not the sort of man who succeeds in inducing a big Sindh zamindar to lease him land on inequitable terms. It takes time to arrange a loan; and if the lessee is allowed to remain in possession until money can be found to buy him out, it may well be that by the time he comes to be evicted, instead of compensation being due to him, he will have received far more under the terms of his lease than the amount to which he was equitably entitled.

“The amendment, moreover, would place the holder of an unfair lease in a position far superior to that of all other creditors, including mortgagees; since a mortgagee in possession, on however reasonable terms he may be holding, may be dispossessed at once, and yet have to wait for his money. If indeed it were the fact that lessees in these cases were ordinarily genuine agriculturists, there might be some reason for the proposed distinction. But I have already shown how largely this has ceased to be the case.

“At the same time, it is undoubtedly true, even in Sindh, that a lease, more often than a mortgage, is a *bonâ fide* transaction, based upon the passing of

[17TH FEBRUARY, 1906.] [*Sir Denzil Ibbetson; Mr. Logan; Mr. Baker.*]

consideration, and intended to provide for the cultivation of the land, even though the terms of the lease may be unduly favourable to the lessee; and, now that we are placing lessees more upon an equality with mortgagees, this will tend to become more commonly the case than at present, since the temptation to put what is really a mortgage into the shape of a lease will be removed. In consideration of these facts, the Select Committee have, as the Hon'ble Member has told us, introduced a new provision into the Bill, which ranks compensation to a lessee before all other private claims upon the estate. The Bombay Government, whom I have consulted in the matter, take no exception to this concession. But they think that it is as much as should be conceded, and that the Hon'ble mover's proposal goes too far, and would establish a distinction in favour of the lessee which would be unfair to the main body of creditors. In this opinion I concur, and I therefore oppose the amendment."

The Hon'ble MR. LOGAN said :—" I wish to correct in the first instance a misapprehension of the Hon'ble Mr. Gokhale as to what I meant about the percentage of profits made by the money-lenders. I did not mean that these percentages were annual ones, but what I meant to represent was the total number of times the capital was to be turned over before the lease came to an end. The 876 per cent. for instance as a matter of fact was to accrue in about twelve years and the percentage works out to something like 76 per cent. per annum, which I think does not alter the character of the case. As regards this particular amendment, I am bound to say that I think the lessee deserves some consideration when he has been evicted from an estate without compensation being paid to him then and there. There is a certain hardship in keeping him waiting. If compensation is due, the lease cannot be altogether an inequitable one; at any rate, if the payment of compensation is considered equitable, the lessee should not be kept out of his compensation without something to counter-balance the loss. Obviously, however, the proper remedy is that he should get interest at a reasonable rate on the unpaid instalments. No legal provision is required for this: all that is necessary is a rule under section 33 of the Act; and if such a rule were passed by the Commissioner and sanctioned by the Bombay Government, it seems to me that the objections of the Hon'ble Member would be met."

The Hon'ble MR. BAKER said :—" I do not propose to follow the Hon'ble Member who moved the amendment in his onslaught on what he imagines to be the policy of the Finance Department. As the Hon'ble Sir Denzil Ibbetson

has said, this is not a discussion upon the Budget; it is a discussion upon an isolated amendment of a local Bill. But the Hon'ble Member made one or two remarks with reference to the financial policy of the Government which I do not think it would be right for me as representing the Finance Department to pass over in silence. He quoted a certain dictum which he says was laid down by Sir James Westland in 1896, when the Sindh Incumbered Estates Act was last before the Council. He said that it was apparently due to his solicitude for the money-lender that Sir James Westland refused to allow the credit of the Government to be used on behalf of these estates. I should not have expressed it myself in that way. I have not seen Sir James Westland's remarks, but it seems to me that it is a very serious question whether the credit of the Government as a whole should be placed unreservedly at the disposal of private parties for private objects.

"Then the Hon'ble Member said that there were two ways in which it was possible for the Government of India to procure funds for this purpose first, by applying to the Secretary of State to obtain higher borrowing powers; and, secondly, that we might ear-mark the surpluses. As regards the first of these suggestions, it is not a question of obtaining higher borrowing power. Our borrowing power is not determined by the orders or dicta of the Secretary of State, but upon the amount of money which the market will give, and this is not affected by the particular requirements of incumbered estates or by any orders or sanction that we may obtain from home. As regards ear-marking the surplus or ear-marking any particular portion of the Government balances, I venture to say that this is an elementary stage of finance beyond which the Government of India has long since passed. The idea of forming separate purses or pockets into which particular portions of revenue should be placed and reserved for special purposes is one which, so far as I am aware, is seldom followed by civilized Governments. We do lend money. When we lend money to Local Governments or Native States or landholders from our balances, we do so from our balances as a whole, and it would be wrong and would only lead to confusion if we attempted to set apart some portions of these balances for particular purposes.

"Finally, the Hon'ble Member appears to be unaware that we do as a matter of fact advance money when a good case is made out for the relief of landholders in precisely similar cases such as that which we are dealing with now. I remember the case of Deo in the district of Gya in Bengal. The old

[17TH FEBRUARY, 1906.] [*Mr. Baker ; Mr. Gokhale.*]

Raja of Deo was considered to have had strong claims on the Government, and when his estate was brought under a special Act,—I think it was called the Deo Incumbered Estate Act,—and when it was discovered that there was no possibility of clearing off the debts and restoring it to the descendants except by direct assistance from the Government, the Local Government, with the sanction and I think the assistance of the Government of India, advanced funds necessary in order to liquidate it from its debts. Whether the same thing has ever been done in Sindh I do not know, but I know that similar proposals have come up in connection with other estates in Chota Nagpur.”

The Hon'ble MR. GOKHALE said:—“ The Hon'ble Sir Denzil Ibbetson deprecates my reference to the financial policy of the Government on the score that this is not a discussion on the Budget. I should have thought that, considering how this same question was raised and discussed at some length—discussed by the members of the Government itself—in 1896, when the Act which we are now amending was last before the Council, this should have been about the last objection which any one, especially a member of Government, should have raised to my remarks. However, as the Hon'ble Mr. Baker has made a statement on the subject, I will not say anything more about the Hon'ble Sir Denzil Ibbetson's objection. I will only content myself with the remark that if Sir Denzil Ibbetson wishes me to postpone my remarks till the Budget is before us, I am quite prepared to do so, and I only hope he will then deal with the question fully. As regards what he has said about not paying the lessee at once, the whole argument is, I fear, based on an assumption which is not justified. He used the word ‘inequitable’ over and over again. What right has he to assume that a lease that is set aside is necessarily inequitable? The power of the manager to set aside a lease is not confined to inequitable leases. I do not think any one is justified in assuming that because in the interests of an estate the manager thinks fit to set aside a lease, therefore the lease is bad and the lessee is not entitled to the protection of the Law Courts or whatever other protection he is at present able to seek.

“ As regards the financial policy of Government, the statement which the Hon'ble Mr. Baker has made is to a certain extent satisfactory, in that it shows that the door is not absolutely closed to the adoption of a policy such as I have suggested. In 1896, when Sir James Westland dealt with this question (I looked at the proceedings only this morning and so I speak with my memory refreshed), he dealt with it on the lines which I have indicated, and put it as a question of not entering into competition with the money-lenders and thereby injuring

[*Mr. Gokhale ; Sir Denzil Ibbetson.*] [17TH FEBRUARY, 1906.]

their legitimate business. He went so far as to say that even if a manager could raise loans in the market at a rate of 6, 7 or 8 per cent. interest from the money-lenders, that would be a much fairer course to pursue than that the Government should come in and advance money at 5 per cent. and thereby disturb the business of the money-lenders.

"As regards the borrowing powers of the Government, I have always understood that there was a limit imposed upon the annual borrowing powers of the Government of India. I remember having read the report of a Parliamentary Committee appointed more than twenty years ago, of which, if I remember right, Lord George Hamilton was Chairman. That Committee made some recommendations, and the restrictions then imposed, I thought, held good today. If there is no limit, there need be no difficulty in borrowing more than the usual loan for public works, because the credit of the Government of India is as good as that of any Government in the world.

"The question is this: is the question of dealing with agricultural indebtedness as important as the necessity of extending railways or dealing with frontier difficulties, and similar questions? The Government freely borrows for these latter purposes. To my mind borrowing for the relief of agricultural indebtedness is a necessity as great as any of these. The whole policy of the Government in this matter has got to be revised and placed on a larger basis. I quite admit that it would not be possible to discuss such a policy in all its bearings when a small Bill like this dealing with a particular province is under discussion. I have only thrown out a suggestion, and notwithstanding the remarks of the Hon'ble Mr. Baker, I venture to hope that it will engage the attention of Government at an early date."

The Hon'ble Sir DENZIL IBBETSON said:—"My Lord, I would ask to be allowed to say a word in explanation. I wish to explain what I meant when I said that the provisions which we are discussing affect only leases which are inequitable. The law restricts their operation to cases in which the consideration upon which the lease is granted is found, upon enquiry into its sufficiency, to be inadequate; and that was what I meant when I described such leases as 'inequitable.'"

The motion was put and negatived.

The Hon'ble SIR DENZIL IBBETSON moved that the Bill, as amended, be passed.

The motion was put and agreed to.

[17TH FEBRUARY, 1906.] [*Mr. Baker ; Mr. Richards.*]

INDIAN COINAGE BILL.

The Hon'ble MR. BAKER presented the Report of the Select Committee on the Bill to consolidate and amend the law relating to Coinage and the Mint.

PRESIDENCY SMALL CAUSE COURTS BILL.

The Hon'ble MR. RICHARDS moved that the Bill further to amend the Presidency Small Cause Courts Act, 1882, be referred to a Select Committee consisting of the Hon'ble Sir Arundel Arundel, the Hon'ble Rai Sri Ram Bahadur, the Hon'ble Mr. Aparcar, the Hon'ble Mr. Logan and the mover, with instructions to report within a fortnight.

The motion was put and agreed to.

INDIAN STAMP (AMENDMENT) BILL.

The Hon'ble MR. BAKER moved that the Bill further to amend the Indian Stamp Act, 1899, be referred to a Select Committee consisting of the Hon'ble Mr. Richards, the Hon'ble Mr. Aparcar, the Hon'ble Mr. Ismay, the Hon'ble Nawab Saiyid Muhammad Sahib Bahadur and the mover, with instructions to report within a fortnight.

The motion was put and agreed to.

INDIAN MERCHANT SHIPPING (AMENDMENT) BILL.

The Hon'ble MR. RICHARDS, on behalf of the Hon'ble MR. HEWETT, moved that the Bill further to amend the law relating to merchant seamen be referred to a Select Committee consisting of the Hon'ble Mr. Richards, the Hon'ble Mr. Aparcar, the Hon'ble Mr. Logan, the Hon'ble Nawab Saiyid Muhammad Sahib Bahadur and the mover, with instructions to report within a fortnight.

The motion was put and agreed to.

The Council adjourned to Friday, the 2nd March, 1906.

CALCUTTA ;
The 20th February, 1906. }

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Friday, the 2nd March, 1906.

PRESENT :

His Excellency the Earl of Minto, P.C., G.C.M.G., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Sir Denzil Ibbetson, K.C.S.I.

The Hon'ble Mr. H. Erle Richards, K.C.

The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Major-General C. H. Scott, C.B., R.A.

The Hon'ble Rai Sri Ram Bahadur, C.I.E.

The Hon'ble Mr. L. A. S. Porter.

The Hon'ble Mr. L. Hare, C.S.I., C.I.E.

The Hon'ble Mr. H. A. Sim, C.I.E.

The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.

The Hon'ble Mr. A. A. Apcar, C.S.I.

The Hon'ble Mr. S. Ismay, C.S.I.

The Hon'ble Mr. W. T. Hall, C.S.I.

The Hon'ble Mr. A. C. Logan.

The Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca, C.S.I.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

INDIAN COINAGE BILL.

The Hon'ble MR. BAKER moved that the Report of the Select Committee on the Bill to consolidate and amend the law relating to Coinage and the Mint be taken into consideration. He said :—"My Lord, it will be seen from the report that the Select Committee have made somewhat numerous alterations in the Bill. Most of these are of comparatively small importance, and they are sufficiently explained in the report. I think, however, that it may be worth while for me to offer a few supplementary remarks in regard to the sections relating

to the treatment of defaced and light weight coin which have been entirely recast by the Select Committee.

“Taking first the case of defaced coins, the Bill as originally drafted made a distinction between coins which had been defaced by being shroff-marked, or for the purpose of converting them into an ornament, and all other kinds of defaced coins. It was provided that the two first kinds of defaced coins should be received and paid for at special rates ; but that all others should be cut and returned to the tenderer.

“These proposals have been subjected to a good deal of criticism, much of which we consider to be substantially just. It was pointed out that considerable hardship would be caused if coins which had merely been used as ornaments were to be received at a discount, It was also observed that coins might be defaced in other ways than by shroff-marking or by use as an ornament, yet without any intent to defraud ; and that hardship might be caused if such coins were cut and reduced to mere bullion value. For instance, in the west of India, rupees which have been circulating in Portuguese Mozambique are frequently stamped with the letters P. M. This would constitute defacement ; yet as the value of the coins has not been impaired it would not be just to demonetize them. It was also observed that there was no definition of defacement, and that its absence might lead to uncertainty in the interpretation of the law.

“We have accepted these views, and have revised the Bill accordingly. We have inserted a definition of the word “deface,” and we have provided that every defaced coin which is not light weight shall be received at its full face value, unless there is reason to believe that it has been defaced fraudulently. As most cases of defacement with which we are acquainted are not fraudulent, this gives a very wide measure of protection to the public, and it completely covers the case of rupees which have been defaced only by use as ornaments. The only case of fraudulent defacement which is of sufficient importance to call for specific notice is defacement by means of sweating, and we have accordingly provided that coins which there is reason to believe have been defaced by sweating shall be deemed to have been fraudulently defaced.

“Turning now to the case of light weight coins, there seems to have been a certain amount of misapprehension on the part of some of the persons consulted as to what was actually intended. It appears to have been supposed in some quarters that Government proposed in some way to recede from the position

[2ND MARCH, 1906.]

[*Mr. Baker.*]

that loss of weight due to reasonable wear and tear should be borne by the State, and that we desired to impose it on the last holder of the coin. That is not the case at all. We have for many years, in fact since 1881, accepted the responsibility of making good the loss of weight due to fair wear, and we have never contemplated going back from this position. What these gentlemen have failed to understand is that when the loss of weight exceeds a certain proportion, it cannot be due to fair wear, and must be due to the maltreatment of the coin, in other words, to fraud. In 1896, a series of very careful and extensive enquiries were instituted by Colonel Baird, then Master of the Calcutta Mint, and these have been continued down to the present time. The result of these has been to show that the average life of a coin, when subjected only to fair wear, is a little over 55 years, *i.e.*, that it will not have lost more than 2 per cent in weight and thereby have ceased to be legal tender for that period. The enquiries also showed that among coins issued prior to 1873, not more than one in 1,000 had lost more than 4 per cent in weight by honest wear, while in the case of coins of later date, the percentage of light weights was less than $\frac{1}{2}$ per cent. Now, according to our system, coins are recalled from circulation when they have reached a certain age. Thus the coinages which bear the dates 1835 and 1840 (which include all coinages down to 1861 inclusive) have been called in, and very few of them are now in circulation. It follows that scarcely any coins now outstanding can have lost so much as 4 per cent by honest wear, and any loss exceeding, say, $6\frac{1}{4}$ per cent must be due to maltreatment. When that is the case, there is no ground for requiring the State to bear the whole loss. It is only equitable that the holder should contribute towards it. Accordingly, in 1899 we issued rules, not based on any provision of the law, but on executive authority, that coins reduced in weight by more than $6\frac{1}{4}$ per cent should be received at a slightly reduced rate; and that when the reduction of weight amounted to more than 25 per cent, or one-fourth of the whole, the coin should be cut and returned. This is based exactly on the provisions of the English law, with the exception that our rates are much more liberal towards the public. In England, for instance, the loss of weight allowed on a sovereign is only 3 grains or about $2\frac{1}{2}$ per cent.

“The Bill as revised merely takes formal power to do by rule what we have been doing for the last seven years by executive order. There is no ground whatever for the extraordinary apprehension, which has been expressed in one quarter, that the new law will necessitate the actual weighment of each individual coin received in payment of rent or in the course of business: and I will venture

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MERCHANT SHIPPING.

[*Mr. Baker ; Mr. Richards ; Mr. Hewett.*] [2ND MARCH, 1906.]

to hazard the prediction that when the Bill becomes law, no one will be aware that any change whatsoever has been made.

"I do not think I need offer any observations on any of the other clauses of the Bill."

The motion was put and agreed to.

The Hon'ble Mr. BAKER moved that the Bill, as amended, be passed.

The motion was put and agreed to.

PRESIDENCY SMALL CAUSE COURTS BILL.

The Hon'ble MR. RICHARDS presented the Report of the Select Committee on the Bill further to amend the Presidency Small Cause Courts Act, 1882.

INDIAN STAMP (AMENDMENT) BILL.

The Hon'ble MR. BAKER presented the Report of the Select Committee on the Bill further to amend the Indian Stamp Act, 1899.

INDIAN MERCHANT SHIPPING (AMENDMENT) BILL.

The Hon'ble MR. HEWETT presented the Report of the Select Committee on the Bill further to amend the law relating to merchant seamen.

The Council adjourned to Wednesday, the 21st March, 1906.

J. M. MACPHERSON,

*Secretary to the Government of India,
Legislative Department.*

CALCUTTA;

The 2nd March, 1906.

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Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Wednesday, the 21st March, 1906.

PRESENT :

His Excellency the Earl of Minto, P.C., G.C.M.G., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Sir Denzil Ibbetson, K.C.S.I.

The Hon'ble Mr. H. Erle Richards, K.C.

The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Major-General C. H. Scott, C.B., R.A.

The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Darbhanga.

The Hon'ble Rai Sri Ram Bahadur, C.I.E.

The Hon'ble Mr. L. A. S. Porter.

The Hon'ble Mr. L. Hare, C.S.I., C.I.E.

The Hon'ble Mr. H. A. Sim, C.I.E.

The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.

The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.

The Hon'ble Mr. A. A. Apcar, C.S.I.

The Hon'ble Mr. S. Ismay, C.S.I.

The Hon'ble Mr. W. T. Hall, C.S.I.

The Hon'ble Mr. A. C. Logan.

The Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca, C.S.I.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

QUESTIONS AND ANSWERS.

The Hon'ble MR. GOKHALE asked :—

“ Will the Government be pleased to state how the four members of the Cadet Corps, to whom commissions were granted last year, have been posted,

QUESTIONS AND ANSWERS.

[Mr. Gokhale; the Commander-in-Chief.] [21ST MARCH, 1906.]

and what are their prospects of being entrusted with regimental duties in the Indian Army?"

HIS Excellency THE COMMANDER-IN-CHIEF replied :—

" The four cadets who were granted commissions are :—

- (1) Wali-ud-din Khan of Hyderabad.
- (2) Aga Casim Shah, nephew of His Highness the Aga Khan of Bombay.
- (3) Bhanwar Amar Singh of Jaipur.
- (4) Zorawar Singh of Bhavnagar.

" The services of Wali-ud-din Khan have been placed at the disposal of the Resident at Hyderabad for employment, at the request of His Highness the Nizam, with the Hyderabad Imperial Service Lancers.

" Aga Casim Shah has been appointed A.-D.-C. to the General Officer Commanding at Poona.

" Bhanwar Amar Singh has been appointed A.-D.-C. to the General Officer Commanding at Mhow.

" The services of Zorawar Singh have been placed at the disposal of the Government of Bombay for employment, at the request of His Highness the Thakur Sahib of Bhavnagar, as Commandant of the Bhavnagar Imperial Service Lancers.

" It is impossible to say at present what is the prospect of these ex-cadets being entrusted with regimental duties in the Indian Army as they have been appointed to Imperial Service Regiments or to the personal staff of General Officers."

The Hon'ble MR. GOKHALE asked :—

" Have the Government of India noticed what has been described in the Press as the boycott of the *Weekly Chronicle* of Sylhet by the Government of Eastern Bengal and Assam? Is it a fact that for publishing in its news columns a report, which that Government regarded as 'a gross mis-statement', and which the Editor declared to be 'more than corroborated by careful inquiries made by him', that paper has been placed under a ban by the Lieutenant-

[21ST MARCH, 1906.] [Mr. Gokhale; Sir Arundel Arundel; Mr. Richards.]

Governor in the matter of official advertisements and official information and publications? Is it true that the Chief Secretary to the Government of Eastern Bengal and Assam has in a communication to the Editor described official advertisements and the supply of official information and publications as 'Government support' to the newspaper, of which the latter has been deprived as a punishment for his not tendering the apology which he was ordered to offer?

"Will the Government be pleased to state why no criminal proceedings were instituted against the Editor, or no official version of the occurrence, in regard to which his report was declared to be a gross mis-statement, published?"

"In view of the fact that important questions of principle affecting the status, dignity and independence of the Press in India are involved in such executive action against newspapers, will the Government of India be pleased to state their position generally on the subject, so as to allay all reasonable anxiety? Will they also be pleased to call upon the Government of Eastern Bengal and Assam to re-consider its action against the *Weekly Chronicle*?"

The Hon'ble SIR ARUNDEL ARUNDEL replied:—

"The facts are that the *Sylhet Weekly Chronicle* published a statement that a Gurkha policeman had committed an indecent assault on a sweeper woman at Barisal. On enquiry being made the statement was proved to be false by the deposition of the woman herself supported by that of her husband, and it was further shown that she refused to sign a charge of attempted rape addressed to the Chairman of the Municipality which was drafted for her signature. Copies of these papers are laid upon the table. The Local Government considered that no useful purpose would be served by instituting criminal proceedings and therefore decided to withdraw from the newspaper certain facilities. The Government of India are not prepared to call upon the Local Government to reconsider its action in the matter.

"The Government of India are unable to admit that the status, dignity and independence of the Press in India are in any way affected by the adoption of executive action in cases of specific misconduct as distinguished from adverse criticism of Government measures."

PRESIDENCY SMALL CAUSE COURTS BILL.

The Hon'ble MR. RICHARDS moved that the Report of the Select Committee on the Bill further to amend the Presidency Small Cause Courts Act,

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[*Mr. Richards ; Mr. Baker ; Mr. Hewett.*] [21ST MARCH, 1906.]

1882, be taken into consideration. He said :—" My Lord, I have on a former occasion explained to the Council the objects of this Bill. It effects three changes, small in themselves, but not unimportant, relating to the power of the Small Cause Court to decide certain questions with regard to execution proceedings, to the transfer to the High Court of cases instituted in the Small Cause Court and to references to the High Court. The only change of substance that has been introduced by the Select Committee is that in clause 3 of the Bill, which has been introduced on the recommendation of the Calcutta High Court. It gives a discretion to exempt applicants for transfer from furnishing security which they would otherwise have to furnish. No other change of substance has been made."

The motion was put and agreed to.

The Hon'ble MR. RICHARDS move that the Bill, as amended, be passed.

The motion was put and agreed to.

INDIAN STAMP (AMENDMENT) BILL.

The Hon'ble MR. BAKER moved that the Report of the Select Committee on the Bill further to amend the Indian Stamp Act, 1899, be taken into consideration. He said :—" My Lord, I do not think I need add anything to the remarks which I made in introducing the Bill in January last, or to those contained in the Report of the Select Committee."

The motion was put and agreed to.

The Hon'ble MR. BAKER moved that the Bill, as amended, be passed.

The motion was put and agreed to.

INDIAN MERCHANT SHIPPING (AMENDMENT) BILL.

The Hon'ble MR. HEWETT moved that the Report of the Select Committee on the Bill further to amend the law relating to merchant seamen be taken into consideration.

The motion was put and agreed to.

The Hon'ble MR. HEWETT moved that the Bill, as amended, be passed.

The motion was put and agreed to.

[21ST MARCH, 1906.]

[Mr. Baker.]

FINANCIAL STATEMENT FOR 1906-1907.

The Hon'ble MR. BAKER introduced and explained the Financial Statement for 1906-1907. He said:—"My Lord, I beg to present the Financial Statement for the ensuing year 1906-1907. In doing so, I propose, with Your Lordship's permission, to follow the course adopted last year, *i.e.*, instead of reading out the Statement *in extenso*, I shall merely lay it on the table, and shall give a brief verbal account of those portions of it only which are likely to be of general interest.

"In certain parts of India, especially Rajputana, the United Provinces and the Deccan Districts of Bombay, the year now drawing to a close has been less favourable than those which immediately preceded it. The Arabian Sea branch of the monsoon was late in arriving, and the rainfall was irregular and deficient in amount. This was followed by serious delay in the winter rains in Northern India; and though these eventually came and greatly relieved the situation, they were too late wholly to save the unirrigated crops. Famine conditions have been declared to prevail in 10 British districts and several Native States, and at one time 360,000 persons were in receipt of relief. These misfortunes have led us to make extensive remissions and suspensions of the land revenue in the parts affected, and have also involved some expenditure on relief works.

"In the greater part of India, however, the seasons have, on the whole, been favourable and the harvests generally good; and except in the tracts especially affected by drought the revenue has come in well, and shows signs of continued and healthy development.

"A year ago we estimated that we should have a surplus of 136 lakhs of rupees. We now expect to have a surplus of 263 lakhs, the improvement being 127 lakhs.

The main causes of this are as follows:—

	Lakhs.
(1) Our Railway earnings have expanded beyond our expectations, the <i>net</i> revenue account, having exceeded the estimate by .	69
(2) Our revenues generally have continued to develop, with the exception of Land Revenue, Customs and Irrigation, the aggregate improvement being	89
(3) There has been a large reduction in Military expenditure, mainly owing to the failure of the home authorities to provide the new artillery and stores budgeted for: the saving amounts to	149

	Lakhs.
and (4) There have been net savings of expenditure under other heads, mostly Police, Education and Civil Works, aggregating	38
These four causes of improvement have aggregated	345

On the other hand we have drawn upon Provincial and Local balances to the extent of 218 lakhs less than we anticipated ; the net betterment thus amounting to 127 lakhs.

" During 1906-1907 we anticipate that, if the seasons are normal, our revenue will continue to develop under all heads except opium, in which, in view of the unfavourable prices obtained at recent sales, we expect a falling-off of 99 lakhs. In the Civil Administration we have provided for the normal growth of expenditure, and have also assumed that the Provincial Governments will be able to make up some of the ground which they failed to cover this year. But in view of the present agricultural situation, we do not consider ourselves justified in embarking upon any new projects involving considerable recurring expenditure, other than those to which I shall presently refer.

" For Military expenditure, in view of the heavy charge which has been thrown forward from the current year, we have made a special re-grant of a part of the lapse, to the amount of 40 lakhs, which is of course non-recurring. The total Military Budget is less than that of the current year by 58½ lakhs.

" On the present basis of taxation and expenditure, we estimate that in 1906-1907 we should have had a surplus of 253 lakhs of rupees; and we have decided to apply 122 lakhs of this to the remission of taxation, to the relief of local bodies, and to the provision of funds for carrying out a modest programme of administrative improvement. More than two-thirds of the whole amount will be devoted to the relief of the agricultural tax-payer, who we consider has the strongest claim on our resources on the present occasion. The measures we propose are five in number and are as follows :—

- (1) We abolish the patwari cess and village officers' cess which are now levied in Madras, the Central Provinces, the United Provinces, the Punjab and the North-West Frontier Province, and in Ajmer and Coorg ; we also abolish the zemindari dāk cess in Bengal and the districts transferred to the new province. The charges hitherto defrayed from these cesses will in future be borne by Government. The total sacrifice of revenue occasioned by this measure is rather more than 82 lakhs of rupees per annum.

[21ST MARCH, 1906.]

[Mr. Baker.]

- (2) We discontinue the practice of making certain petty appropriations from local funds for Provincial purposes in the Provinces of Northern India, and in Burma and the Central Provinces. The practice does not obtain in other parts of India. The cost of this measure is a little under 6 lakhs per annum, and the District Boards concerned will benefit to that extent.
- (3) We make a further grant of 25 lakhs per annum for the reform of the Police in addition to the grant of 50 lakhs made for this purpose last year.
- (4) We raise the grant of 20 lakhs per annum which was made last year for agricultural improvement to 24 lakhs per annum ; and
- (5) We make a grant of 5 lakhs per annum for education, of which approximately one half will be devoted to technical education, and one-half to the education of Europeans and Eurasians.

The total cost of these five measures is—

	Lakhs.
Remission of taxation	82
Transfer to the local taxation account	6
Grants for police, agriculture and education	34
	<hr/>
TOTAL	122
	<hr/>

After providing for these requirements, we estimate that our revenue will amount to 129 crores 74 lakhs, and our expenditure to 128 crores 43 lakhs ; and that we shall have a surplus of 131 lakhs of rupees.

“We have provided nearly 81 lakhs for expenditure on famine-relief, and have also made provision for the remission and suspension of land revenue in those provinces which are suffering from famine.

“For capital expenditure on Railways we have provided the large sum of 15 crores of rupees, of which about three-fifths are for the requirements of open lines, including 382 lakhs for rolling stock. For Irrigation Major Works we have provided 125 lakhs, which is as much as there is any likelihood of our being able to spend during the year.

“We have now no floating sterling debt, the whole outstanding balance having been paid off during the current year.

[*Mr. Baker.*]

“ We propose to raise a loan of 2 millions sterling in England, and one of $4\frac{1}{2}$ crores of rupees in India, for capital expenditure on productive public works.

“ The present intention of the Secretary of State is to draw bills on India next year to the amount of £17,800,000, but additional bills will as usual be sold, if needed, to meet the demands of trade. These announcements are made subject to the usual reservation.”

The Council adjourned to Wednesday, the 28th March, 1906.

J. M. MACPHERSON,

*Secretary to the Government of India,
Legislative Department.*

CALCUTTA;

The 22nd March, 1906.

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Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations, under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Wednesday, the 28th March, 1906.

PRESENT :

His Excellency the Earl of Minto, P.C., G.C.M.G., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

The Hon'ble Sir A. T. Arundel, K.C.S.I.

The Hon'ble Sir Denzil Ibbetson, K.C.S.I.

The Hon'ble Mr. H. Erle Richards, K.C.

The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Major-General C. H. Scott, C.B., R.A.

The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Darbhanga.

The Hon'ble Rai Sri Ram Bahadur, C.I.E.

The Hon'ble Mr. L. A. S. Porter.

The Hon'ble Mr. L. Hare, C.S.I., C.I.E.

The Hon'ble Mr. H. A. Sim, C.I.E.

The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.

The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.

The Hon'ble Mr. A. A. Apcar, C.S.I.

The Hon'ble Mr. S. Ismay, C.S.I.

The Hon'ble Mr. W. T. Hall, C.S.I.

The Hon'ble Mr. A. C. Logan.

The Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca, C.S.I.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

QUESTIONS AND ANSWERS.

The Hon'ble MR. GOKHALE asked :—

“ Will Government be pleased to state what expenditure has up to date been incurred in establishing new head-quarters at Dacca for the Government of Eastern Bengal and Assam ? ”

[Mr. Baker; Mr. Gokhale.] [28TH MARCH, 1905.]

The Hon'ble MR. BAKER replied :—

“ It is understood that the question relates only to the expenditure incurred on buildings.

“ The expenditure that will be incurred up to the end of the current month on establishing head-quarters at Dacca for the Government of the new Province is estimated at Rs. 1,77,000.”

The Hon'ble MR. GOKHALE asked :—

“ Have Government noticed the report of an alleged occurrence in Jullundur Cantonment, which has been published by the *Tribune* of Lahore in its issue of 16th instant under the heading ‘ A case of unmitigated zulum. Major Cowie surpasses himself ’ ?

“ Is it true that Lala Sheokarn Das is a wealthy banker and house-proprietor in Jullundur Cantonment, who rendered valuable services during the Sepoy Mutiny of 1857 to the British Government and the European community which took refuge in Jullundur barracks ?

“ Is it true that for some time past the relations between Lala Sheokarn Das and Major Cowie, Cantonment Magistrate, have been of an unfriendly character ?

“ Is it true that on the 4th instant, a grandson of Lala Sheokarn Das—a boy of 11 years—had an attack of fever, and that on 6th March, about noon, Major Burnside, the Sanitary Officer, declared the case to be one of small-pox ; that the banker thereupon declared his readiness to arrange for the case being specially treated in the house itself and to take all reasonable precautions against the spread of the disease ; that in spite of this assurance, a notice under section 203 of the Cantonment Code was served on him in the course of the day, asking him to remove the boy at once to the infectious disease huts ; that on receipt of the notice, Lala Sheokarn Das requested that he should be allowed at least 24 hours, as required by the Code, to arrange for the boy's removal, and that at the same time he submitted a written application through the Station Staff Officer to the Officer Commanding that as his house was well-built, clean and well-ventilated, he should be permitted to make special arrangements in the house itself for the treatment of the boy ; that he also personally represented to Major Stewart, the Station Staff Officer, his fears that Major Cowie, whom he regarded as his enemy, might send

[28TH MARCH, 1906.] [Mr. Gokhale; Commander-in-Chief.]

the police to his house at night and forcibly remove the boy, unless the permission applied for was granted to him at once ; that Major Stewart assured him that orders would be passed on the application the next day, and that nothing would take place in the meanwhile ; that in spite of all this, Mr. Schofield, the Police Inspector, accompanied by a Police Sergeant and the Bazar Chaudhri, went to the banker's house at about 9 P.M. to remove the boy from the house by force, and that, on his being asked to produce his authority, the Inspector went to Major Cowie's bungalow and returned at 11 P.M., armed with the necessary authority ; that meanwhile, fearing that the boy would be taken away by the police by force, Lala Sheokarn Das removed him himself to the house of a relative in Jullundur City ; that the Inspector, finding that the boy had been removed before his return, went back to Major Cowie in Lala Sheokarn's own carriage to report what had taken place ; that on 8th March, Lala Sheokarn Das received the order of the Officer Commanding on his application, permitting him to have the boy treated in his own house ; that thereupon he brought back the boy to his house from the city, and that the boy died on the morning of 10th March ?

"Is it true that the Government of India in the Military Department, in their letter No. 3564, dated 24th July, 1895, have laid down as follows :— 'It is not intended that these powers (about removal) should be exercised in respect of well-to-do and respectable persons, who can and do arrange for being attended, when suffering from these diseases (malaria, small-pox, diphtheria and typhoid fever) at their own houses and when all reasonable precautions to prevent the spread of the disease are taken by those who are responsible for looking after them'; and that these orders have been communicated to Cantonment authorities by the Quarter-Master General of India in a Circular, No. 16, dated 11th September, 1895 ?

"Is it true that last year Major Cowie himself issued printed rules, freely permitting plague patients to be treated in their own houses ?

"If the facts are as stated above, will Government be pleased to state what notice they propose to take of Major Cowie's conduct in the matter. Will they also be pleased to issue orders which will make a repetition of such proceedings impossible ?"

His Excellency THE COMMANDER-IN-CHIEF replied :—

"Owing to the absence on tour of the General Officer Commanding the Jullundur District, details have not been received. The case is being investigated by the Local Government."

[Mr. Gokhale; Sir Arundel Arundel.] [28TH MARCH, 1906.]

The Hon'ble MR. GOKHALE asked :—

" With reference to my question of last week about the *Weekly Chronicle* of Sylhet, are Government aware that the paper had alleged that the Mehtar woman had complained to the Chairman of the Municipality that she had been assaulted by a Gurkha? Was the statement of the Chairman taken? If so, why was it not included among the papers laid on the table last week? If it was not taken, why was it not taken? What opportunity was given to the Editor to prove his statement, and how did the Government satisfy itself that the woman had not changed her version? Is it to be understood that Government claim the power to punish a newspaper on the strength of a mere police report, without a regular trial and without even giving the Editor an opportunity to show that his version of an occurrence is based on facts? On what grounds does the Government of Eastern Bengal and Assam describe the supply of official publications and advertisements to a newspaper as 'Government support' of that paper?"

The Hon'ble SIR ARUNDEL ARUNDEL replied :—

" In answer to the series of questions put by the Hon'ble Member I have to say that the attention of Government has been called to the fact that the *Weekly Chronicle* of Sylhet alleged that the Mehtar woman made a statement to the Chairman of the Municipality to the effect that she had been assaulted by a Gurkha.

" The Government are not aware whether the statement of the Chairman was taken. The depositions of the woman and her husband laid on the table of this Council last week declare that the assault alleged never took place.

" The Government are not aware whether any formal opportunity was given to the Editor to prove his allegation, but it is obvious that he had every opportunity of publishing the evidence on which he relied. The papers laid on the table show that the woman declared that she never made the complaint of attempted rape as alleged.

" The Government have already stated their views as to the action taken by the Local Government and they have nothing further to add. They are concerned only with the particular case.

" The Government are not acquainted with the grounds upon which the Lieutenant-Governor made use of the expression 'Government support,' but they see no reason to take exception to it."

[28TH MARCH, 1906.] [*Nawab Saiyid Muhammad.*]

DISCUSSION OF THE FINANCIAL STATEMENT FOR 1906-07.

The Hon'ble NAWAB SAIYID MUHAMMAD SAHIB BAHADUR said :—" My Lord, I beg to congratulate the Hon'ble the Finance Member and Your Lordship's Government on the Financial Statement that has been presented to this Council. It is now some years that the element of uncertainty, due mainly to the fluctuations of exchange, has been gradually eliminated from the Budget estimates, and in spite of cautious and partial surrender of revenue from taxation, it has been found possible to provide for a surplus year after year. I notice with pleasure the success that has attended the endeavour to attain a higher standard of accuracy in estimating revenue and expenditure. Thus the final accounts of 1904-1905 agree closely with the estimates at the beginning of the year. The same remark applies to the year which is now drawing to a close, though the conditions in some important provinces were less favourable than were anticipated. It is recognised on all hands that so long as exchange is in stable equilibrium, other causes, however regrettable or unexpected, cannot have a permanently disturbing effect on the Financial administration, and it is this important factor that has enabled the Government to deal more firmly with the problem of taxation than was found feasible in former years. The first word of acknowledgment in this connection is due to the salt tax. When the first reduction of 8 annas on the maund was made the effect was not very noticeable, as the boon did not reach to the poorest consumer. But the further reduction of another 8 annas on the maund has had a decisive effect upon consumption, as the Hon'ble Finance Member points out in paragraph 14 of his Statement. Salt is not an article that can be wasted or abused, and the remarkable advance that has taken place in the consumption conclusively proves that the old rate of taxation pressed heavily upon the people, who had to go without the quantity of salt necessary for all their requirements. Even cattle are being given more salt, and the reduction of taxation has had the most beneficial effect, and I venture to think that this great boon which has given a powerful stimulus to the consumption of salt will have ultimately a wholesome effect on the health of the population.

" My Lord, the proposed application of the surplus is such as will commend itself to all right-thinking people. After reducing the salt tax and raising the taxable minimum of income it is in the fitness of things that the claims of the agricultural tax-payer to relief should be considered. I hope the time will come when the Government will be in a position to announce a reduction in the land-revenue demand itself, but in the meantime I gratefully

[*Nawab Saiyid Muhammad.*] [28TH MARCH, 1906.]

welcome the beginning that has been made in abolishing a number of local cesses which pressed very heavily on the agricultural population. I recognise with special gratitude that the largest surrender of revenue occurs in the Presidency which I have the honour to represent, and that the Ryotwari Village Service Cess in the Madras Presidency has been abolished. At the same time I regret that it has not been found possible to abolish the cess levied in Madras on proprietary or permanently-settled estates. The Hon'ble the Finance Member states that this could not be done because of 'certain practical difficulties that have arisen by reason of the establishments employed in the "Proprietary" tracts of Madras being in a transitional state.' Consequently, the difficulty is not of a permanent nature, and since it is admitted to be a real cess I submit that it may be abolished, on principle, as early as it is found practicable. I am glad the practice of making certain petty appropriations from the funds of District and Local Boards for Provincial purposes is to be abolished, since no criticism of the existing system can be severer than that employed by the Hon'ble the Finance Member himself, who characterises it as 'a blot on our administration of Local Funds.'

"Among the proposed irrigation works I note the reference to the great Tungabhadra project in Madras, though there seems to be no immediate likelihood of its being taken in hand. It is undoubtedly an ambitious scheme, but its scope of utility is correspondingly large, while its importance as a protective work cannot be exaggerated. Before finally making up their minds, I hope the Government of India will give the scheme their best attention and afford the Local Government an opportunity of placing it before them in all its bearings.

"In the memorandum of the Railway Board attached to the Financial Statement, it is satisfactory to find that the Board is devoting its attention to improve the comfort and convenience of third class passengers. The two urgent reforms are the development of the system of communication between passengers and guards and drivers of trains and the general convenience of third class passengers. In the higher classes of carriages the means of communication between passengers and guards and drivers exists on some of the lines at present, but it is still more necessary in third class carriages, particularly in carriages and compartments reserved for females. And as regards the general convenience of third class passengers, the Board admits that a great deal remains to be done.

"My Lord, I may be permitted to draw attention to the claims of Indians to higher appointments under Government in connection with the various redistributions of territories for administrative purposes. Besides such redistributions

[28TH MARCH, 1906.] [*Nawab Saiyid Muhammad; Nawab Khwaja Salim-
ulla of Dacca.*]

as have been already effected, thereare, I understand, schemes in progress in the Madras Presidency for the creation of new districts out of the old ones which are considered to be too large or unwieldy. In every instance the administrative machinery is to be enlarged and the employment of a larger number of public servants becomes necessary. It is on occasions of this kind that the Government has a fitting opportunity for recognising the claims of the Indians and associating them more largely in the important work of administering the country."

The Hon'ble NAWAB BAHADUR KHWAJA SALIMULLA of Dacca:—
"My Lord, allow me to congratulate Your Lordship's Government on the very satisfactory budget presented to us and the Hon'ble Finance Member for his clear, lucid and interesting exposition of the dry details of figures. We are grateful to the Government for the remissions in taxation it has granted since the budgets began to show surpluses, and it was but right and proper that such remissions began with those on whom the taxation was pressing very hardly. The reduction of the salt duty has been one of the greatest blessings that could be conferred on the agricultural population of India, and the remarks of the Financial Member that even the Bhil woman knows that for the same price she ought to get a third more of salt than she used to do, shows that the beneficent results of the reduction have reached the humblest classes of His Majesty's subjects, classes for whom they are intended, and with regard to whom doubts had been expressed in some quarters, as to whether the effects would be felt by them at all. In two years, there has been an increase in consumption to the extent of nearly 34 lakhs of maunds, and the agriculturists are now able to use salt for their cattle. I trust our Finance Minister, before he lays down the reins of office, may be able to announce a further reduction from this Council Chamber to the further relief of the millions of the agricultural population of India. The raising of the taxable limit of incomes has conferred another great boon on the poorer middle classes, whose lot is the hardest in India. Unaccustomed to manual work, many of them, so far Bengal is concerned, unused to trade, their sole means of subsistence are the minor services which afford a scope which must daily become more and more contracted with increasing numbers. The lot of the 'Bhadra loge' in Bengal, Hindu or Mussulman, is very hard indeed, and no boon would be better appreciated by a large class of His Majesty's subjects than if the taxable minimum under the income tax were raised to Rs. 1,500 a year. If this were not possible at an early date, may I venture to suggest that the present minimum of Rs. 1,000 a year should

[*Nawab Khwaja Salmulla of Dacca.*] [28TH MARCH, 1906.]

be excluded from all incomes up to Rs. 2,000 a year, for while an income of Rs. 1,000 is wholly exempted, an income of Rs. 1,100 a year has to bear the tax on the whole amount. Incomes up to Rs. 2,000 a year are assessed to tax on a lower scale, and might not the Government ease the burden that sits on the bread-winners amongst the poorer classes, by extending the concession in the way I have ventured to suggest. It is a matter of very great disappointment to us, that the countervailing duties on sugar have availed nothing to revive the dying sugar industry of India. The resources of organization, capital and skill, which continental nations have brought to bear upon this industry, have been too much for the humble agriculturists in India, and sugar, like indigo, may soon cease to be an industry that may be taken into account in India. No grant is more useful and looked upon with greater interest by the landed classes than the one for agricultural development and research, and no part of the grant will be better employed than that which may be set apart for improving the sugarcane in India and the methods of their cultivation.

“I have to thank Your Lordship’s Government for the abolition of the Dakhanehs in Bengal; the days when it was necessary have long gone by, and a much needed reform has come to the great relief of the zamindars of Bengal. Though the amount remitted under the heading of cesses, in the combined provinces of Bengal and Assam, amounting to Rs. 3,80,000, is comparatively very small compared to the substantial relief granted to the other provinces in the Ryotwari village service cess and the Patwari cess, I do not grudge the good fortune of our sister provinces; Madras has had a remission of Rs. 28,00,000 and the United Provinces of Rs. 25,54,000 : would it be too much to hope for a readjustment of the Road cess in Bengal in the light of these large and substantial remissions to the other provinces of India ?

“My Lord, I have the honour to be the first representative in Your Lordship’s Council of the new province of Eastern Bengal and Assam. The province has just been born amidst many fears and hopes. I venture to predict that with passing years, as the policy of the Government is better understood and appreciated, the fears will have passed away and the hopes will have become realized. I do not for a moment ignore the strong sentiment of attachment and a passionate desire to cling together, which a seeming severance has so unmistakeably evoked, but I am sure that time will show that there has been no severance, in the sense in which those who were opposed to the creation of the new province understood it, no division of the Bengali-speaking people, Hindus and Mussalmans, no weakening, but on the contrary, a greater development, of the two sister

[28TH MARCH, 1906] [*Nawab Khwaja Salimulla of Dacca; Mr. Logan.*]

provinces, better government, better education in both, better means of intercommunication and generally a great accession of strength to the Bengali race. The Eastern Province is very largely Mahommedan; it is no exaggeration to say that the masses are practically Mahommedan, and the want of education from which they suffer is a source of weakness to the nation and a loss of available strength to Government. I do not plead for any exceptional treatment of the Mahommedans as against any other race or community in India. Given the same advantages and the same opportunities, the Mahommedan is as good an asset of the country and of the State as a member of any other community, but the Mahommedans have to recover lost ground, and in their efforts to do so I am sure they will have the sympathy of Your Lordship's Government and the Members of Your Lordship's Council, representing other interests and other communities. As the representative of a largely Mahommedan province I am deeply concerned in this. The only means to raise the Mahommedans—their only hope—is education; it is to be regretted that in the past, they have not been able to avail themselves of the opportunities offered to them by Government in this respect and they have allowed precious time to go by. The leaders of our community are now happily fully alive to the great importance of the question of Mahommedan education, and I trust that as in the case of the Europeans and Eurasians, for whom, having regard to their circumstances and position, a separate special allotment has been so justly and so generously made, some facilities by way of a special allotment should be given to the Mahommedan community so that they may get over the handicap from which they suffer so severely at present."

The Hon'ble MR. LOGAN said :—" My Lord, I desire to restrict my remarks to a point of practical importance, more especially to the Government of Bombay, but perhaps in a greater or less degree to all the Provincial Governments which are exposed to the contingency of famine. The liberality with which Bombay was treated in the Provincial settlement which came into force on April 1, 1905, has, I believe, been heartily acknowledged by the Governor in Council; but there is nevertheless one unsettled point which the occurrences of the last two years have brought into prominence, and which now requires solution. The Bombay Presidency, as everybody knows, has been suffering from scarcity, sometimes amounting to famine, in successive or occasionally alternate years since 1896; and although the tolerably favourable aspect of 1904, when the settlement was drawn up, excited the expectation that the lean years were passed, that expectation has unhappily not been fulfilled, and the Dekkhan at least has suffered from a partial, but severe, failure of the crops in

both years since then. It is quite possible that such failures will continue to occur for some time, for we know from history that a series of famines commenced in the Dekkhan in 1396 and did not end till 1409, and these thirteen years so depopulated the country that little revenue could be collected for a generation afterwards. Such a cycle is evidently now recurring, and may prove all the longer, because the annual visitations are less intense. Thus scarcity may become a feature of the peninsula for nearly as many years in the future as it has been in the past.

"Now settlements with Provincial Governments are intended to provide for all regularly recurring charges. In the last settlement with Bombay, however, the Government of India made no proposals for the division and regulation of famine expenditure; and since all charges not settled on a Provincial Government are a liability on the Imperial revenues, it was at first supposed that as long as scarcity was chronic in the Presidency the charges would be met by the Government of India. Subsequently, however, it was made known that the principles laid down when famine was a rarity are to be followed under the very different circumstances now prevailing: in other words, that famine expenditure is first to fall on Provincial revenues, and only to be transferred to Imperial when the former are exhausted. This dictum at once called forth a moderate protest from the Bombay Government, but the point was then not pressed because of the hope that the cessation of lean years would deprive it of practical importance.

"But, my Lord, as I have already said, this hope has been disappointed and both years of the new settlement have been marked by scarcity. In the current season this is so serious that, as I observe, the Government of India have had to allot 42 lakhs in the Budget to the Presidency for famine charges from next month. The question of principle has thus become of pressing importance, and the Bombay Government has been compelled to draw attention to it emphatically. It holds that the stimulus to economical administration which Provincial settlements are intended to create will be destroyed by the prospect of all savings being swept away on each occurrence of distress, and asks the Government of India either to devolve famine charges on the Provincial Government as part of the settlement with a corresponding allotment of revenue, or else to undertake the whole of those charges itself. The latter it regards as the far preferable course; since famine, like wars, expeditions and political missions, is properly a matter to be financed by a Government which has powers, not possessed by Provincial Governments, of borrowing or otherwise raising funds for irregularly recurring emergencies. But so far the Financial Department of the

[28TH MARCH, 1906.]

[Mr. Logan.]

Supreme Government has shown no disposition to accede to this request, and has merely accepted the liability for the coming year because the situation requires it.

“I may be allowed, my Lord, to dilate a little on the present situation. The Government of India started the new settlement with a special assignment of 50 lakhs to help in clearing off old famine and plague debts; yet in only the second budget framed under it in Bombay what do we find? Although the estimated receipts on which the settlement was framed have already increased by 15 lakhs, the expenditure estimated for the settlement has increased by 56½; and of this nearly 46 lakhs are expenditure on famine, or on village water-supply diminished by the failure of rain. So that the whole of the 50 lakhs meant to give the Bombay Government a clearance of old debt is absorbed by an accession of new debt; and in addition the Bombay Government have had to cut down desirable, and in some cases urgent, requirements in thirteen departments by over 15 lakhs, in order to make up the minimum balance of 20 lakhs required by the Civil Account Code. So here is the Bombay Government practically insolvent again in the second year of the settlement. The picture is sufficient to illustrate the disheartening circumstances under which the Presidency will continue to be administered if the failures continue; and it gives cogency to the argument that the principle of the exhausted balance should now be replaced by something less calculated to derange the orderly course of Provincial administration and worry the administrators. I do not see why this should pass the wit of the imperial statesmen. The conditions of the problem do not seem to me, *prima facie*, very complex or delicate. What mischiefs, counterbalancing the inconveniences of the present system, does the Government of India apprehend from frankly relieving Local Governments of all liability for famine? Political pleasantries apart, we all know that Local Governments cannot either produce or prevent failures of the rain or rivers, and when famine does come they are bound to give relief in accordance with the minute and liberal regulations drawn up under the orders of the Supreme Government. They can therefore neither create nor materially control the liability, and the Government of India would risk little or nothing from a supposed recklessness on their part as to whether famine occurred or not. Nor can it be argued that if relieved of famine charges the Local Governments would be reckless in expending their money in other ways; for the settlements all proceed on the assumption that there will be no famines, and that the Local Governments will nevertheless evince economy and efficiency in the ratio of their independence, and this latter assumption I believe has never been belied.

[*Mr. Logan ; Mr. Hall.*] [28TH MARCH, 1906.]

Thirdly, the Government of India can have no possible fear of financial difficulty on its own part, since it is positively embarrassed by its surpluses year after year, and will continue to be as long as the rupee stands where it is. I may add that undertaking all famine charges will be a stimulus to the Government of India to push on the great irrigation schemes which are the best means of mitigating future famines in the Dekkhan. I would therefore suggest that in future imperial budgets full provision should be made under the head Famine Relief and Insurance for all anticipated famine charges, irrespective of the balances of Local Governments. It is better to apply the surpluses in this way, if necessary, than in remitting taxation while Local Governments are in the utmost straits for money. But if there are valid objections to this course which I have overlooked, then I would suggest that in the Bombay Presidency at least, with its chronic liability to scarcity, an insurance account should be opened in the provincial budget, and that the late settlement should be revised so as to create an additional assignment for this purpose. This course may obviate some possible objections as to provincial responsibility which might apply to the former. But in either case the money must come from the Government of India, for to a Local Government famine means not only expenditure on relief but the loss of revenue as well, and therefore, except in the first of a series of famines, there never can be any substantial balance to meet the charges. Nor indeed ought there to be any balance beyond the prescribed reserve, while the needs of the Presidency in a hundred directions continue to outrun its resources, or any funds which even by the most liberal settlement may be conferred by the Government of India. Knowing, as I do how much money is urgently required for the improvement of almost every branch of the administration, and cannot be got, it seems to me very anomalous that the Government of India should call on the Local Government to deplete its already insufficient funds for abnormal emergencies, while their own money bags are overflowing. It is true that the Government of India have made a liberal allotment for the famine in the present budget; but I have already shown the straits into which the Government of Bombay was thrown before this was done. What is wanted is some settlement which will obviate such anxiety and disturbance in the future; and any device that can be adopted to this end will no doubt be welcomed by Local Governments."

The Hon'ble MR. HALL said :—" My Lord, I wish to congratulate the Hon'ble Finance Member and the Government upon the prosperous state of the finances—over one-third of a million persons are in receipt of relief and yet

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there is a large surplus in the current year, the agricultural taxpayers' burden is in some provinces to be substantially reduced, additional grants are promised for administrative improvements, while Districts Funds are to be aided by the abolition of certain contributions which they have hitherto had to make.

"I desire to express gratitude for the amelioration of the Burma Police and in particular for the special pension scheme for officers who joined the force some twenty years ago. I am convinced that the additional expenditure on the Police generally, large as it is to be, is fully required and that the results will be very gratifying.

"The grant for agricultural and veterinary development is also most welcome. Twenty-five years ago there were to be found people who doubted whether the Veterinary Department would ever become a success. But confidence in the Veterinary Assistants was gradually established. Their services are now much in request, and one would have to make a long journey to find any one—official or cultivator—willing to express doubt as to the utility of this Department in Burma.

"So it will be in the case of agricultural development. There may be some difficulty, doubt and delay at the outset. I am, however, confident that but a few years will elapse before it is recognised by all classes that a great boon was conferred on the country by the Government when it initiated the measures which are now being undertaken for the improvement of agriculture.

"One cannot but recognise that the reasons given in the Financial Statement for the abolition of certain cesses in some provinces are sound. In Burma there is no patwari cess, and accordingly the agricultural taxpayer in that Province does not share in the relief which is to be so generously granted elsewhere.

"I would also mention here that Upper Burma did not get any share of the grant made a year ago in aid of District Funds, which was described as being approximately 25 per cent. of their total revenue from cesses on the land. There are District Funds in Upper Burma, but there is no cess, and so the poorer and more backward portion of the Province did not participate in the grant, though its needs are undoubtedly very pressing.

"I desire to express gratitude for the discontinuance of the practice of taking a contribution from Local Funds for the district post—Burma so gains Rs. 1,21,000 a year. But at the same time I venture to hope that if there is any surplus available for distribution to District Funds a

[*Mr. Hall; Mr. Ismay.*] [28TH MARCH, 1906.]

year hence, it may be found possible to make a somewhat larger assignment to my Province and especially to Upper Burma.

"There is one other matter on which I would say a few words. The coming expiry of the current Provincial Settlement makes us who are particularly interested in the development of Burma somewhat anxious. The share of the revenue under some of the principal heads which we have been allowed to enjoy has not been unduly low when compared with the shares as fixed in some other provinces. I would, however, represent that liberal expenditure in Burma, if well directed—and there is every ground for believing that it will be well directed—will pay, will in fact be immediately productive.

"In conclusion, then, I would express a confident hope that in the new settlement Burma will receive generous treatment and due consideration for its admitted needs."

The Hon'ble MR. ISMAY said :—"My Lord, the very brief remarks which I have to make on the Budget concern only its relation to the Central Provinces and Berar. I desire in the first place to acknowledge the very welcome relief which will be afforded to agricultural taxpayers by the abolition of the Patwari cess. All land-revenue cesses are more or less unpopular, but whereas the Road, School and District Dāk cesses have been realized in the Central Provinces since the earliest days of British rule, the Famine Insurance cess and the Patwari cess have been the creation of comparatively recent years. The object of the former cess was never properly appreciated by those from whom it was realized, and its abolition during the current year was hailed with great satisfaction. The Patwari cess has always been regarded as a greater burden even than the Famine Insurance cess. At a time when the Patwari was the servant of the proprietary body the remuneration for his services as village accountant was never grudged. But under our present revenue system the Patwari has become as much a member of the district staff as any other official of the Land Record Department, and so far from being regarded as the natural friend of the Malguzar he too often labours under the suspicion of being inimical to his interests. Then again the incidence of the cess was such as to impose a not inconsiderable burden upon the agricultural classes. The local law provides that a Malguzar may be called upon to contribute any sum not exceeding six per cent. on the assessed revenue towards the remuneration of Patwaris and the defraying of charges incurred on account of the proper supervision, maintenance and correction of the Patwaris' records. My Lord, the removal of this heavy burden is a boon for which the agricultural classes of my Provinces will be deeply grateful.

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[Mr. Ismay.]

“The only other matter on which I desire to offer any remarks is the new Provincial Contract for the Central Provinces and Berar. In lieu of the temporary settlements which have hitherto been made from time to time with the Central Provinces, the new Contract with the amalgamated Provinces which will come into force from the 1st April is of a quasi-permanent nature. The present irregular distribution of revenue will then come to an end and the income derived from Land-revenue, Stamps, Excise, Forests and Assessed Taxes will be divided half and half between Imperial and Provincial.

“My Lord, I have examined with some considerable care the terms of the new Contract, and I find that the provision now made for developing the resources of the Provinces is very much more liberal than has been allowed on any previous occasion. The last temporary settlement with the Central Provinces was made in 1897, but under that settlement it was found impossible to make both ends meet, and the Provincial accounts have year by year disclosed a deficit varying from 15 to 30 lakhs which has had eventually to be made good by the Imperial Government. Apart from the ordinary terms of the present Contract, which in themselves appear to be sufficiently liberal, a special guarantee has been given insuring the Provinces against any extraordinary loss of land-revenue arising from famine or unfavourable seasons, and an initial gift of no less than 30 lakhs has been made to enable the amalgamated Provinces to make a fair start.

“My Lord, it is probably only those who have served in the Central Provinces who are able to appreciate to the full how backward this part of the country is as compared with other parts of India. The Provinces are being rapidly opened up by railways and the exploitation of their mineral wealth is proceeding at an ever-increasing pace, but the resources of the Local Government have hitherto not been such as enable it to keep abreast with the requirements imposed by the general development of the country. Many important feeder roads still remain to be constructed and such progress as has been made in this direction has only been rendered possible by sacrificing the Grand Trunk roads which before the advent of the railway were the pride of the Provinces. The Great Eastern road, upon which lakhs of rupees were spent in the seventies, is no longer properly maintained, and the same is the case with the road from the north which traverses the Nerbudda Valley. The road from Nagpur towards Bombay practically terminates in a swamp a few miles out of Nagpur, and even the road connecting Jabalpur with Nagpur, which was for many years one of the best in India, has, owing to the heavy manganese traffic, fallen into great disrepair at the Nagpur end.

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"And what is true of roads is equally true of buildings. It is unnecessary to enter into detail, but it may not be out of place to say that, as head of the Judicial Department, I have recently found it necessary to urge upon the Local Government that the Court-houses in every district are becoming overcrowded and that nearly 20 lakhs will have to be expended upon Court buildings alone if proper accommodation is to be made available. At Nagpur, the head-quarters of the Administration, Judges are at present holding their Courts in tents and in temporary sheds.

"Then again there are other calls upon the Provincial revenues which are no less urgent than those connected with roads and buildings. I may refer briefly to one measure of reform in which I am personally interested. Until very recently no attempt had ever been made to separate the judicial and executive branches of the Administration, and the trial of civil suits was practically in the hands of Extra Assistant Commissioners and Tahsildars, who possessed no legal training and who were already burdened with executive and magisterial work. All this is now changed and a judicial service has been constituted consisting, as in other parts of India, of District Judges, Subordinate Judges and Munsifs. But the scale of pay at present sanctioned for members of this service is admitted on all sides to be unduly low, and as a natural consequence suitable candidates for judicial employment in the Central Provinces and Berar are no longer forthcoming. To put the judicial service upon a proper footing will entail considerable expenditure, but it is a reform which cannot any longer be delayed.

"My Lord, it is in no spirit of complaint that I have made these few remarks. I recognize fully that my Provinces cannot expect to be placed, at the expense of the general taxpayer, in as good a position as other Provinces in which local taxation is heavier and the land-revenue more productive. I frankly appreciate the liberal treatment we have received in connection with the new Provincial Contract, but I also desire to emphasise the fact that but for such liberality much good work which will now be rendered possible would have had to be left undone."

The Hon'ble MR. APCAR said :—"My Lord, I am glad to be able to congratulate the Hon'ble Member on the satisfactory Budget Statement he has submitted to the Council.

"In the Memorandum by the Railway Board for 1905-06 attached to the Budget Statement it is stated that the estimated net gain to the State on the working of the State and Guaranteed Railways is nearly 304 lakhs of rupees,

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almost the largest yet obtained in any year after meeting, as I understand, in addition to the expenses of working, all charges for interest on Capital outlay by the State and on Capital raised by Companies and also the annuity payments for railways purchased by the State. And it further appears that this is the sixth year in succession in which there had been a surplus.

“To Lord Curzon the credit must obtain of having opened the largest mileage. No less than 5,525 miles have been added during the first six years of his reign, and the total mileage open at the end of 1904 was 27,565 miles with a Capital outlay of Rs. 35,285 lakhs. The gross earnings per mile have risen from Rs. 63 in 1854 to Rs. 277 in 1904, and the percentage of net earnings on Capital from ‘22 to 5’91.

“In 1874 the goods carried were 5,503,000 tons: in 1904 they were 52,051,000 tons, while the number of passengers rose from 24,977,000 to 227,097,000. I gather these figures from the Administration Report of the Railway Board for 1904-05.

“Now this state of things is very satisfactory and should make the Government have no hesitation in further extending and developing railways in India, for it is evident that if wisely projected they will pay handsomely.

“The coal traffic is, I observe, a most important one, for in 1904 no less than 8,233,451 tons are said to have been mined, of which 7,080,425 tons fell to Bengal. In 1885 the coal was only 1,294,221 tons out of a goods total of 18,925,000 tons. In other words, the percentage of coal carried has risen from 6·8 in 1885 to 15·8 in 1904.

“It is apparent from the above that the coal traffic is an important and expanding one, and that every effort should be made to facilitate it. I read in the report that ‘as usual the needs of open lines, especially in regard to rolling stock, have received first consideration.’ This is a statement which no doubt ‘as usual’ is inserted in every report, but it is one which it is difficult to reconcile with existing facts. I would very respectfully but earnestly ask that this statement regarding rolling stock be made a matter of practice rather than precept. With the splendid results shown, parsimony in providing the urgent needs of a railway in respect to rolling stock is worse than a mistake; it is wholly inexcusable and it indeed would be much better, if any question of funds arises, that a halt be made in the matter of extension and that the clamant needs of the existing railways in the matter of rolling stock be first attended to. I therefore notice with great

pleasure a provision in the Budget of 382 lakhs for rolling stock. I hope that this sum will be spent, and more if necessary. It is satisfactory to see it at last acknowledged by the Railway Board that Indian railways as a whole are at present below what should be the standard of equipment of rolling stock for present requirements. The deficiency being admitted, it only remains to make it good.

"Another matter to which I would venture to draw attention to is that of the incidence of Income-tax. I am not unmindful of the fact that its continuance is suspiciously like a breach of faith. It is a convenient mode of raising revenue, and it is perhaps desirable that the machinery for levying the tax should be with us and in working order; but I think that the limit might be raised, and that in the case of small incomes there might be a rebate as is the case in Great Britain. There all incomes of £160 are exempt and for incomes between that amount and £700 an abatement which ranges from £160 to £70 is allowed. Thus an income of £400 pays tax on £240 and one of £700 on £630. This, my Lord, seems a reasonable thing, and I should like to see the minimum raised to Rs. 1,500 and an abatement of Rs. 1,500 allowed up to incomes of Rs. 3,600. The tax itself, as ways and means admit, should be reduced also.

"There is another matter which will before long come before my Hon'ble friend, the Finance Minister, though it will not probably be necessary to budget for it this year, and that is the Calcutta Improvement Scheme. The is not the time to discuss the merits of that scheme, but I would only point out that in the opinion of the mercantile community the contribution of Rs. 50 lakhs proposed by the Government is quite inadequate; it should be at least Rs. 120 lakhs. The improvement of Calcutta is not a municipal but an imperial matter, and I would ask the Government to think 'imperially' on this subject.

"When Mr. Risley introduced the present Municipal Act into Council just six years ago, he said that 'the state of the City calls for more than the attention of the Municipal Commission; it is a matter which concerns not only the Government of Bengal but the Supreme Government and is sure to attract very special notice in England as well as in other countries.' And again 'the interests threatened are those of the foreign trade not of Calcutta only, but of the whole of Northern India and Assam.'

"With these remarks I entirely concur, and inasmuch as the improvement of Calcutta is designed in the first instance to eradicate the plague, and in the second place to generally improve the health of Calcutta, upon which in no

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small degree does the expansion of commerce depend, it is only fair that a large proportion of the cost should fall on the imperial revenues, and that that proportion should be fixed with no niggard hand."

The Hon'ble MR. GOKHALE said:—"My Lord, for the second time, the Hon'ble Mr. Baker has laid before the Council a budget, which, judged by the limits within which he was free to move, is an interesting and satisfactory statement, and which for lucidity of exposition will take high rank among the Financial Statements of the Government of India. I am particularly pleased to read what the Hon'ble Member writes about the effect of the recent reductions of salt duty on the consumption of that article. Time was, not so long ago, when it was the fashion, both in this Council and outside, to regard the burden imposed on the masses by a high salt duty as after all only a light one, and to deny that its rate could seriously affect consumption. If ever the Government of India finds itself driven to enhance the duty again, I hope the Finance Member of the future will remember the eloquent testimony of my Hon'ble friend on the results of recent reductions, and no one will again venture to contest the proposition that in dealing with a prime necessary of life, such as salt, the only right policy is to raise an expanding revenue on an expanding consumption under a diminishing scale of taxation. Even at present, the level of the duty—about 1,600 per cent. of the cost price—is much too high, and I earnestly trust that the Hon'ble Member will have, as I have no doubt he will be glad to have, another opportunity during his tenure of office as Finance Minister to effect a further reduction, thereby making the duty throughout India at least uniform with what it is in Burma, namely, Re. 1 a maund. The consumption in India, which was under 10 lbs. per head before these reductions, has now risen to about 11 lbs., but it is still far below the level of Burma, where it is about 17 lbs. per head. My Lord, the abolition of certain cesses on land and the discontinuance of certain appropriations from the funds of District and Local Boards for Provincial purposes will be greatly appreciated in the Provinces concerned, and I regard with sincere satisfaction the policy which underlies these measures. My only regret is that Bombay does not participate in the benefit of the relief accorded, and, if it is not yet too late, I would like to suggest one or two directions in which the Hon'ble Member could usefully come to our assistance on the same principle on which he has given the present relief to the other provinces. One is as regards the loss which our Local Boards have to bear as a result of the suspensions and remissions of land revenue granted by Government. The principal part of the income of these Boards is derived from the one-anna cess on land; so when the Government, owing

to the prevalence of famine, suspends or remits a part of the land-revenue, the one-anna cess that is paid with such revenue is also automatically suspended or remitted. The Government anticipates that the amount suspended or remitted this year owing to the present famine will be about 50 lakhs of rupees. This means that the Local Boards will lose a little above 3 lakhs of their revenue during the year. The proceeds of the one-anna cess for the whole Presidency are under 30 lakhs, and to lose 3 lakhs out of 30 lakhs is a serious matter. Moreover, the loss is not spread over the whole Presidency but has to be borne only by the districts affected, which means that in those districts the Boards will not have enough money even for their barest wants. I suggest, therefore, that the grant this year to the Boards from the Provincial revenues should be increased by 3 lakhs or whatever may be the amount of the one-anna cess suspended or remitted with the land-revenue, the Provincial Government receiving, if necessary, compensation from the Government of India for the purpose. I understand that this is the practice that is followed in the Punjab, where as a result the Boards receive their full amount intact, whatever suspensions or remissions the Provincial Government may grant to the agriculturists; and I only ask that our Boards may be treated with the same consideration. Another direction in which the Hon'ble Member could come to the rescue of these Boards is by relieving them of all responsibility for famine relief, which the Famine Code imposes upon them. Under the Code, the duty of relieving famine distress is first cast on the resources of the Local Boards and then on those of the Provincial and Supreme Governments. Now the means at the disposal of the Boards, even for the objects for which they have been brought into existence, namely, education, sanitation and medical relief, and roads, are woefully inadequate, and to throw on them in addition so heavy and unjustifiable a burden as famine relief is to take away from them practically all power of doing useful work. For the last ten years and more, we have had on our side an almost unbroken succession of unfavourable seasons, with no less than four famines, and the embarrassments of Local bodies have been further aggravated by plague and the cost of plague measures; as a result, over the greater part of the Presidency our Boards have been reduced to a position not far removed from bankruptcy. The relief I ask for, though small, will therefore not fail to prove useful in their present circumstances, and I earnestly trust that the Hon'ble Member, who has already given abundant evidence of his sympathy with Local bodies in their struggles, will realize the justice and necessity of granting it.

“Before I proceed to deal with the larger questions on which I wish to offer a few observations today, I would like to make two suggestions and address one

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inquiry to the Hon'ble Member. My first suggestion is that in the general statements of revenue and expenditure, given in Appendix I, the figures under Railways and Irrigation (productive works) should be given net. In the budget for the coming year the receipts under these heads have been estimated at about $29\frac{1}{2}$ millions and the charges at about 27 millions. The net receipts to the State, therefore, under the two heads amount to only about $2\frac{1}{2}$ millions, and I submit that it would give us a much more correct idea of the true revenue and expenditure of the country if only this sum of $2\frac{1}{2}$ millions were entered on the revenue side in the general statements and a separate statement appended showing the gross receipts and charges under the two heads, than that two such huge figures as $29\frac{1}{2}$ millions and 27 millions should be entered on the two sides of the account. The outlay on Railways and Irrigation is on a commercial basis out of borrowed capital, and the receipts are bound to go up, as the capital outlay increases. As a matter of fact, they have been going up of late years owing to increased capital expenditure and other causes by leaps and bounds, having nearly doubled themselves in ten years, standing today at $29\frac{1}{2}$ millions against $15\frac{1}{2}$ millions in 1896-97; but they make no real addition to the revenue of the country, except by that portion of them which represents the net profit earned by the State. In Japan, where they do things more scientifically than with us, the course that is adopted as regards State Railways is the one I have suggested, and only the profits on the undertakings appear on the revenue side in the Financial Statement. Our present practice has been responsible for many curious misapprehensions of the financial position, and it has misled even those who should know better. Thus two years ago, the Military Member of the Government of India—Sir Edmond Elles—advanced in this Council the obviously untenable proposition that though the military expenditure of the country had in recent years been growing, its growth, proportionately speaking, was less than that of our revenue; and he proceeded gravely to establish his contention by treating these rapidly increasing gross receipts under Railways and Irrigation as part of the revenue at the disposal of the State. And when I drew his attention to this error, he simply would not budge an inch, and contented himself merely with the remark that he did not know why he should not take the figures as he found them! My second suggestion is that the income and expenditure of Local Boards, included under the head of Provincial Rates, should be separated from the accounts of the Government of India. It is a small matter—only about 2 millions a year—but it gives rise to much confusion. Take, for instance, education. A reference to Statement B will give one the idea that the Government expenditure on education is nearly 2 millions sterling, when in reality it is only about a million; the rest is Local Boards' expenditure merely

included in Government accounts. It is true that the heading 'Provincial and Local' is there to prevent a misconception : but that in itself is again misleading as the term Local ordinarily includes Municipal also, whereas in the accounts of the Government of India, the income and expenditure of only Local Boards and not of Municipalities are included. I trust the Hon'ble Member will be able to effect this simple but necessary reform. If the suggestions I have made are accepted, our real revenue will be seen to be about 58 millions instead of 87 millions as the Statements in Appendix I lead one to imagine. The inquiry I want to make is about the Gold Reserve Fund and the profits from Coinage. It was stated by Lord Curzon two years ago that the Gold Reserve Fund was to accumulate till it rose to 10 millions sterling, which amount, he declared, 'will be sufficient for our purpose and will give us a permanent guarantee for stability of exchange.' This limit has been already passed and the Fund today stands at over 12 millions sterling, and I think the Hon'ble Member owes it to the country to say what he proposes to do with the profits from Coinage in future years. The fund is to accumulate at compound interest and may therefore be left where it is. And the profits—about 2 millions a year on an average of six years—may henceforth be used to provide money for loans to agriculturists in a comprehensive scheme for the relief of agricultural indebtedness. They will thus yield a better interest than when they are invested in consols; such a course will also enable the Government to make some reparation to those classes which have been hit the hardest by its currency legislation. Even if they were devoted to productive public works, reducing by a corresponding amount the annual borrowings of the State, that will be better than the present plan of investing in consols. The justification of a policy, which invests its own money in $2\frac{1}{2}$ per cent. and borrows at the same time for its purposes at $3\frac{1}{2}$, is not quite obvious.

"My Lord, our financial administration is bound up with questions of policy of the highest importance affecting the Government of the country, and unless that policy undergoes a radical change, our revenues will not be administered in a manner which will best promote the true well-being of the people. Of such questions, the most dominant, as it is the most difficult and delicate, is the question of the Army. My Lord, I fear that a protest in this country against the military policy of the Government and the ceaseless and alarming growth of our military burdens is almost like a cry in the wilderness, but the protest has to be made on every occasion that presents itself, as our most vital interests are involved in a proper solution of this question. Moreover, if ever there was a juncture when our voice in this respect should be heard by the authorities, that juncture is now. A profound change has taken place in the general position of Asiatic politics. The triumph of Japan in the late war has ensured

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peace in Mid and East Asia. The tide of European aggression in China has been rolled back for good. The power of Russia has been broken ; her prestige in Asia is gone ; she has on her hands troubles more than enough of her own to think of troubling others for years to come ; and thus a cloud that was thought to hang for twenty years and more over our North-Western frontier has passed away, and, humanly speaking, is not likely to return, at any rate during the time of the present generation. The Anglo-Japanese alliance, concluded without considering how it would be regarded by the people of this country, is a further guarantee of peace in Asia, if such an alliance has any meaning. Surely, my Lord, this is the time, when the people of this country have a right to look for a substantial relief from the intolerable burden of an excessively heavy military expenditure, which they have had to bear for so many years past. And the first step in the direction of such relief is to suspend the execution of the Reorganization Scheme drawn up by His Excellency the Commander-in-Chief and estimated to cost more than 10 millions sterling. This scheme was projected in the early stages of the Russo-Japanese War, and was sanctioned in November 1904, when the issue of the struggle was not only uncertain but the odds seemed to be against Japan, and when apprehensions were entertained of hostile movements of Russian troops in the direction of Cabul. Now, however, that the situation has undergone a complete change and the North-Western frontier has for the time ceased to be our one danger-zone, there is no justification for proceeding with a costly scheme, devised to ensure a concentration of the entire armed strength of the country on that frontier at the shortest notice. Ten millions, again, does not represent the whole cost of the scheme. There is to be in addition a permanent burden on its account ; how much it will be we have not yet been told, but the Hon'ble Mr. Baker warned the Council last year that it would be considerable. This recurring charge is to appear on the scene after five years, during which period 2 millions a year are to be spent out of current revenues to carry out the scheme. My Lord, I respectfully protest against the execution of such a scheme at such a time, as involving an expenditure of money and effort wholly beyond our capacity and not called for or justified by the requirements of the situation. The Secretary of State for India stated in Parliament the other day in reply to a question that the matter was being further considered. I earnestly trust that his decision will be to hang up the scheme, at any rate till a more disquieting situation than the present arises on the North-Western frontier. Should the Government, however, unfortunately make up its mind to ignore recent events and proceed with the scheme, I would most strongly urge that the money required for the initial outlay should be found out of loan funds.

My Lord, during the last eight years, the Government has spent its surpluses, amounting to about 35 crores of rupees, on railways, in addition to borrowed capital. Now such expenditure of current revenues as capital outlay on productive works appears in the accounts as an addition to our productive debt (which represents the capital expended on productive works), and this necessitates a reduction by a corresponding amount of the unproductive debt of the country. Last year, when I made this simple statement in connection with my plea that the cost of the Army Reorganization Scheme should be met out of borrowings, the Hon'ble Member, to my surprise, denied the correctness of my proposition. He no doubt spoke under a misapprehension and he evidently thought that my contention was that the total debt of the country, productive and unproductive taken together, had been reduced, when my whole argument was that as our unproductive debt, which after all is the only real debt, had been reduced by the amount of current revenues spent as capital, the whole cost of the new Army Scheme could be met out of loan funds and yet our unproductive debt would stand lower than where it was eight years ago. My Lord, it is most unjust to the tax-payers of this country that while the surpluses that accumulate should be spent as capital, heavy non-recurring charges in connection with the Army should be thrown on current revenues, when every pie that can be spared from these revenues is urgently needed for the education of our children and for a hundred other objects of internal progress. The Hon'ble Member may say that till the surpluses are actually realized, no one can tell what they will be. But surely when they have been realized and when they have been so employed as to reduce the unproductive debt of the country, I think there is no excuse for avoiding borrowing, within the limits of such reduction, for meeting heavy non-recurring charges.

“ My Lord, I beg leave next to urge that the strength of the Army in India should now be reduced by at least those additions that were made in 1885 under the influence of the Penjdeh scare. The growth of the military expenditure in recent years has been simply appalling, as may be seen from the following figures :—

1884-1885 . . .	17'9 crores.	(Before the increases of 1885 were made.)
1888-1889 “ . . .	22'2 crores.	(After the increases had their full effect.)
1902-1903 . . .	28'2 crores.	
1906-1907 (Budget) . . .	32'8 crores.	

Our military expenditure is now nearly double of what it was twenty years ago. Since 1888, it has risen by over 10½ crores a year and this notwithstanding—

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ing the fact that the strength of the Army has not been increased by a single troop or company during the time. The increases made in 1885 were made in spite of the protest of two Members of the Government of India and in disregard of the view recorded by the Army Commission of 1879 that the then strength of the Army was sufficient both for internal peace and to repel foreign invasion, not only if Russia acted singly but even if Afghanistan joined her as an ally. And since that time the fear of Russian aggression has been the one dominating factor in all our military arrangements. With Russia now crippled and the Anglo-Japanese allowance concluded, the last trace of any such fear should disappear from the mind of the Government, and the country should be relieved of the burden imposed upon it specially as a result of that fear. The increasing difficulty that has of late been experienced in England in the matter of recruitment and in providing the annual drafts for India, with the resulting payment of bounties to short-service men here as an inducement to extend their service, also points to a reduction of the garrison in this country as a necessary measure of justice to the Indian tax-payer. Should the view, however, be upheld that such a reduction is not possible on the ground, urged in this Council by Sir Edmond Elles, that the Indian Army 'is no longer a local militia for purely local defence and maintenance of order' and that it 'must in the future be a main factor in the maintenance of the balance of power in Asia,' I submit that the Imperial Government ought in justice to bear a part of the cost of an army maintained for such a purpose. My Lord, our military expenditure has now grown to such proportions that it over-shadows the whole field of Indian finance, and under its chilling shade, no healthy development is possible for the people. And unless the axe is resolutely applied to its overgrown portions, our life will continue to exhibit the same signs of sickness that at present unhappily mark its growth.

"But the appalling increase in the weight of military burdens is not our only grievance in connection with the Army. The whole system of Indian defence, founded as it is on a policy of distrust, rests on an unnatural basis, and one notes with regret that the position is growing worse every day. Whole populations are now excluded from the Army. The abolition of the Madras Command under the new scheme involves the disestablishment of that Presidency as a recruiting ground and amounts to a denial to the people of Southern India of all opportunity of service even in the ranks. Recruitment is being confined more and more to frontier or trans-frontier men, to the people of non-Indian or extra-Indian areas, with the result that the Army is approximating more and more completely to a mere mercenary force. The Arms Act is being

worked with increasing rigour and licenses to carry arms are now issued more sparingly than at any time before. I believe there are not more than thirty to forty thousand such licenses at the present moment in all India. A large increase has been made in the number of British officers attached to the Native Army, so as to give all Punjab regiments an establishment of 13 British officers and all other regiments of 12. This increase completely ousts the Native officers from even such positions of trust as were open to them before and not even the command of troops and companies is now really left to them. We have been asking for years that the commissioned ranks in the Indian Army may be thrown open to aspiring and qualified Indians, scions of aristocratic families and others, and the reply of the Government is a stiffer closing of such careers to us. It is true that four members of the Cadet Corps were granted commissions last year and the language used by the late Viceroy more than once in speaking of the Corps had raised the expectation that these young men would be allowed the same opportunities of attaining to positions of command in the Indian Army as British officers. The reply given by the Commander-in-Chief to my question on this subject last week disposes of this expectation, and we see that Lord Curzon's promise in the matter, though kept to the ear, has been broken to the hope. In pre-Mutiny days we had two systems, the regular and the irregular. Under the regular there were 25 British officers to a Native regiment, whereas under the irregular there were only just 3 picked ones. The Army Commission of 1859 pronounced in favour of the 'irregular' arrangement; and after considerable discussion a compromise was eventually arrived at and it was decided in 1863 that 7 British officers should be attached to each Native regiment—these to command squadrons and wings, while the Native officers were to have charge of troops and companies. The question was re-opened in Lord Mayo's time and an increase of British officers was demanded; and the discussion again went on till 1875-6, when it was finally decided by Lord Salisbury (then Secretary of State for India) that the 7 officers system should be upheld, his Lordship laying stress on the point that the position of the Native officers should be improved and raised. And now the question having been brought up afresh, we find the decision going against us and the number of British officers in Native regiments raised from 7 to 12 and 13! My Lord, such growing distrust of the people, after so many years of British rule, is to be deplored from every point of view, and not until a policy of greater trust is inaugurated will the military problem; or indeed any other problem in India, be satisfactorily dealt with. I recognize the difficulty of the situation and the undoubted need that exists for caution in the matter. But after all it is only con-

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fidence that will beget confidence, and a courageous reliance on the people's loyalty will alone stimulate that loyalty to active exertion. As long as things continue as at present, the problem of Indian defence, do what you will, must remain essentially and practically unsolved. The experts, who accompanied the Russian and Japanese armies in the late War, have declared that the Indian Army will be found too small, if a great emergency really arises. This is bound to be so, as long as reliance is placed on standing battalions exclusively, with such reinforcements as England might be able to send in the hour of need. Everywhere else in the civilized world, the standing army is supported by a splendid system of reserves, and the nation is behind them all. Here alone there are no reserves worth speaking of to augment the fighting strength of the country in times of war, and the matter is treated as if it were no concern of the people. The late Viceroy quoted last year the achievements of Japan to justify the enormous growth in our military expenditure. Does any one, however, believe that Japan's glorious achievements would have been possible, if the Government of that country had merely poured money like water on its standing battalions, unaugmented by reserves, and the magnificent spirit of every man, woman and child in that country had not been behind the Army to support it? Japan's ordinary budget for the Army is only about 37·3 millions yen, or a little under six crores of rupees. And for so small an expenditure, she has a standing army of 167 thousand men, with reserves, which can raise it to over six hundred thousand men in times of war. We spend nearly six times as much money a year and yet in return for it we have only an inexpansive force of about 230 thousand men, with about 25 thousand Native reservists and about 30 thousand European volunteers! Both on financial and on political grounds, therefore, our present unnational system of military defence is open to the gravest objection. My Lord, I respectfully submit that it is a cruel wrong to a whole people—one-fifth of the entire population of the world—to exclude them from all honourable participation in defence of their hearths and homes, to keep them permanently disarmed and to subject them to a process of demartialization, such as has never before been witnessed in the history of the world. Lord George Hamilton once told an English audience that there were millions of men in India, who were as brave as any people on the face of the earth. Leaving such material in the country itself neglected, the Government has thought fit to enter into an alliance with a foreign Power—and that an Asiatic Power, which once borrowed its religion from us and looked up to us—for the defence of India! Japan came under the influence of western ideas only forty years ago, and yet already, under the fostering care of its Government, that nation has taken its place by the side of the proudest nations of the West.

We have been under England's rule longer than forty years, and yet we continue to be mere hewers of wood and drawers of water in our own country and of course we have no position anywhere else. My Lord, things cannot continue—they must not continue—much longer on so unsatisfactory a basis. Time and events will necessitate a change and true statesmanship lies in an intelligent anticipation of that change. The present Prime Minister, speaking in November last on the subject of the Anglo-Japanese alliance, observed as follows:—‘I am enough of an Imperialist, if this be Imperialism—to hold that the maintenance of the integrity of India is our affair and no one else's; and if further measures of defence are necessary—of which I have no assurance—the appeal should be to the loyalty of the people of India and to our own capacity for organizing their defence. Is there not danger that the pride of the Indian people may be wounded and the prestige of the Empire abased in the eyes of the world by the provision, by which Japan makes herself conjointly responsible for the defence of the Indian frontier?’ My Lord, this is true and far-sighted statesmanship and my countrymen ask for nothing more than that the military problem in India be dealt with in the spirit of this declaration of the Prime Minister. The measures needed are Short Service for the Indian Army, the creation of Indian reserves, and the gradual extension, first to select classes of the community, and then, as confidence grows, to all, of the privilege of citizen-soldiership, so that they may be able, if the need ever arises, to bear arms in the defence of their own land. The Government may move as cautiously as may be necessary, but it is in this direction that it must move; and then the whole situation will be altered. Our military defence will then be gradually placed on a national basis, the Army will have the support of the nation behind it, the present military burden will be largely reduced and funds set free to be devoted to other objects of national well-being, the people of the country, instead of being condemned, as at present, merely to pay the taxes and then helplessly look on, will be enabled to feel a real and living interest in their Army, and our position in the matter will cease to wound our self-respect. Now that all fear of any immediate aggression from outside has disappeared, a trial may be given to this policy, and I feel a profound conviction within me that England will have no cause to regret its results.

“My Lord, I am free to confess that there is but little chance of any considerable change in the military policy of the Government of India being made in the immediate future, and if I have spoken at some length on the subject today, it is both because the character of our national existence is bound up with the question and also because a special appeal for a reconsideration of the policy is justified at the present juncture. I have already said that

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military expenditure overshadows the whole field of Indian finance, and it is a matter for further regret that even such slender resources as remain at the disposal of the Government of India after meeting the cost of the Army are not employed to the best advantage. My Lord, during the last eight years, the surpluses of the Government of India have amounted to no less a sum than 35 crores of rupees, and the whole of this money has been spent by the Government on Railways in addition to the large amounts specially borrowed for the purpose! Now I do not wish to say anything against the construction of Railways as a commercial undertaking. Till recently they used to cost a net loss to the State every year, but that has now ceased; and there is no doubt that in future years they will bring a growing revenue to the Exchequer. To the construction of Railways on a commercial basis out of borrowed money I have therefore, no objection, though even here the claims of irrigation to a larger share of the capital raised must be recognized better than they have been in the past. But I have the strongest possible objection to our surpluses being devoted to Railway construction, when they are urgently needed for so many other objects vitally affecting the interests of the masses. My Lord, I submit that there should be some sense of proportion in this matter. Already a sum of 250 millions sterling has been spent on Railways. For many years, it was the height of ambition to the Government of India to have in the country twenty thousand miles of Railways. The mileage open to traffic today is nearly twenty-nine thousand and another two thousand is under construction. Are Railways everything, is mass education nothing, is improved sanitation nothing, that the Finance Minister should lay hands on every rupee that he can get either by borrowing or out of surpluses and devote it to the construction of Railways only? Replying to my observations on this subject last year, the Hon'ble Member said:—'When a surplus actually accrues either from a fortunate windfall or from sources the continuance of which is not assured, then I think no more advantageous use for it can be found than to devote it to the construction of remunerative public works.' Now, with all deference I beg to say that the Hon'ble Member's proposition is an unsound one. The course adopted by the Government would be right, if there was no need of non-recurring expenditure in other directions, more intimately connected with the well-being of the mass of the people. But with such urgent needs of the country as decent school-houses for primary schools, works of sanitary improvement beyond the capacities of local bodies, and so forth, unsatisfied, I submit it is not a justifiable course to employ the proceeds of taxation for purposes of remunerative investment. That the surpluses are uncertain does not affect my contention at all. Whenever they

are available, they may be devoted to the objects I have mentioned. When they are not available, the position cannot be worse than it is at present.

“My Lord, the surpluses of the last few years,—rendered possible by the artificial enhancement of the value of the rupee, and realized first by maintaining taxation at a higher level than was necessary in view of the appreciated rupee, and secondly by a systematic under-estimating of revenue and over-estimating of expenditure,—have produced their inevitable effect on the expenditure of the country. With such a plethora of money in the Exchequer of the State, the level of expenditure was bound to be pushed up in all directions. Economy came to be a despised word and increased establishments and revised scales of pay and pension for the European officials became the order of the day. Some remissions of taxation were no doubt tardily granted, but the evil of an uncontrolled growth of expenditure in all directions in the name of increased efficiency was not checked and the legacy must now remain with us. The saddest part of the whole thing is that in spite of this superabundance of money in the Exchequer and the resultant growth of administrative expenditure, the most pressing needs of the country in regard to the moral and material advancement of the people have continued for the most part unattended to, and no advantage of the financial position has been taken to inaugurate comprehensive schemes of State action for improving the condition of the masses. Such State action is, in my humble opinion, the first duty now resting on the Government of India, and it will need all the money—recurring or non-recurring—that the Hon'ble Member can find for it. My Lord, the three evils to be combated in connection with the raiyat's position are his fearful poverty, his ignorance and his insanitary surroundings. And I hope your Lordship will bear with me while I indicate very briefly the lines on which action is really needed.

“(1) First come a group of three measures in connection with the land. They must really go together, if a substantial improvement is the object in view. Of these the first is a reduction of the State demand on land, especially in Bombay, Madras and the United Provinces, and a limitation of that demand all over India. There is ample evidence to show that over the greater part of India—especially in the older Provinces—the agricultural industry is in a state of deep depression. The exhaustion of the soil is fast proceeding, the cropping is becoming more and more inferior and the crop-yield per acre, already the lowest in the world, is declining still further. And such a deterioration in agricultural conditions is accompanied by an increase in the land-revenue demand of the State! The raiyat staggers under the burden, but, under the economic

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conditions prevailing, cannot help submitting to it. Mr. O'Connor, late Director-General of Statistics in India, speaking two years ago before the Society of Arts in London, and speaking with all his special knowledge of Indian agriculture, said :—'It is doubtful whether the efforts now being made to take the cultivator out of the hands of money-lenders will have much effect, or even if they have the fullest effect, that they will materially improve the cultivator's position until a larger share of the produce of the soil is left in his hands and he is protected against enhanced assessment by Government officials and against enhanced rent by private landlords.' And again :—'I have little doubt that the reduction of the land-revenue by 25 or 30 per cent. if the reduction is secured to the profit of the cultivator, would be of far more value in the improvement of the class who constitute the bulk of the population and who contribute most largely to the finances of the State.' The present system is having, and can have, but one effect. It tends to keep the one industry of the country in a hopelessly depressed condition, discouraging all expenditure of capital on land and rendering agricultural improvement an impossible hope. Whatever loss of revenue such a measure may cause directly to the State will be indirectly more than made up by a material improvement in the condition of the people.

(2) Next, a resolute attempt must be made to rescue the Indian agriculturist from the load of debt that at present overwhelms him. The problem is one of vast magnitude and probably the conditions of the different Provinces will need different treatment. The best plan will be to take in hand an experiment on a sufficiently large scale over a selected area in each Province. Thus take the Deccan Districts in the Bombay Presidency. It is the opinion of competent authorities that quite one-third of our agriculturists, if not more, have already lost their lands and they are remaining on them merely as the serfs of their money-lenders. Now I would take the cases of such men first, and I would appoint a special tribunal to go round and look into each case, going behind the bond where necessary, and I would have a composition effected, either by amicable arrangement or in exercise of legal powers with which the tribunal may be armed. I would place, say, a million sterling at the disposal of the tribunal out of which advances should be made to clear the debt, to be recovered by adding about $4\frac{1}{2}$ per cent. on them to the land-revenue demand of the State— $3\frac{1}{2}$ per cent. for interest and about 1 per cent. for repayment of capital, the repayment being spread over fifty years or so. Having helped to free the man in this manner, the Government may then fairly claim to impose restrictions on his powers of alienation. Of course, this is only a bare outline and the

scheme will have to be worked out in detail and examined carefully before adoption. If the experiment shows signs of success, it can be extended to other parts. If it ends in failure, well, some money will be lost, but the risk has to be taken. When Lord Lansdowne was Viceroy of India, he was so impressed with this evil of agricultural indebtedness that he is understood to have left a minute behind, expressing his opinion that the condition of the agricultural community was a most serious danger to British rule, and pointing out the necessity for immediate action. It is now fourteen years since he left India, and yet the only attempt made by the Government to deal with the problem is represented by some legislation, intended to restrict the raiyat's powers of borrowing ! What may usefully be the last link of the chain has thus been made by the Government the sole link, with the result that the situation today is as grave as ever.

" (3) But these two measures will fail to do any permanent good to the raiyat, unless they are accompanied by the third measure of the group, namely, the providing of facilities which, while encouraging thrift, will enable the agriculturist to borrow on occasions for his reasonable wants at a low rate of interest. The Co-operative Credit Societies, for which an Act was passed two years ago, will not go any long way in this direction. The communal spirit is now very weak over the greater part of India, and the unlimited liability principle, which the Act insists upon, will keep substantial men from these Societies, and any number of paupers brought together will have neither the cash nor the credit to help one another. If unlimited liability is removed and a portion of the Savings Banks deposits are made available to these Societies, they may do some useful work. But what the country really needs is the establishment of Agricultural Banks, like those which have been so successfully introduced into Egypt by Lord Cromer.

" (4) Two other measures necessary for the promotion of agricultural prosperity in India, one of which has already received a good deal of attention at the hands of the Government, and the other has been recently taken up by it, are Irrigation and Scientific Agriculture. About Irrigation, I would only like to ask why it is necessary to have the selected projects carried out departmentally and why their execution cannot be entrusted, as in Egypt, to expert contractors, who would find and train the required labour, the Government exercising supervisional control only ? I think in this matter, too, the Government of India may well take a leaf out of the book of that great administrator, Lord Cromer. If this were done, far more rapid progress would be made in the matter of Irrigation. As regards Scientific Agriculture, the

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country is watching with keen interest the steps which the Government is taking in the matter. I must, however, express one fear in this connection. If it is proposed to import European experts for the work as a standing arrangement, there will be small chance of any substantial good being done. The knowledge brought into the country by a succession of foreign experts who retire to their own lands as soon as they have earned their pension, is like a cloud that hangs for a time overhead without descending in fertilizing showers, and then rolls away. Unless promising and carefully selected Indians are sent abroad to be trained and to take the places of the imported experts in due course, such expert knowledge will never become a part and parcel of the possession of the community. Of course, to begin with, a reliance on foreign experts is necessary, but care must be taken to make the arrangement only temporary.

“(5) The promotion of industrial and technical education in the country is also an urgent necessity as a remedy for the extreme poverty of our people. This field has so far remained entirely neglected, with what results even the most superficial observer can see. The sum of $2\frac{1}{2}$ lakhs of rupees, provided in this year's Budget, is as nothing compared with what is needed. The country requires at least one large fully equipped Technological Institute at some central place, with Branch Institutes in the different Provinces.

“(6) I now come to the question of Primary Education. From Mr. Nathan's Report on Education, we find that in 1901-2, the total expenditure on the primary education of boys in India from the funds of the State was the staggeringly small sum of $13\frac{1}{2}$ lakhs! Since then the amount has been increased, but even so, it remains most miserably inadequate, compared with the requirements of the situation. My Lord, the question of mass education in this country has been neglected much too long, and the Government must lose no more time in waking up to its responsibilities in the matter. What is needed is a clear aim and a resolute pursuit of that aim in a feeling of faith and with enthusiasm for the cause. The first step is to make primary education free in all schools throughout the country, and that can be done at once. The total receipts from fees in Primary Schools throughout India in 1901-1902 were only $30\frac{1}{2}$ lakhs of rupees, so the sacrifice will not be very great. Moreover, the larger Municipal Corporations might be asked to bear a portion of this loss, so far as their own areas are concerned. The next step will be to make this education compulsory for boys in the Presidency-towns and perhaps in a few other leading towns. When the minds of the people have been accustomed to the

idea of compulsion in the matter of education, the area of compulsion may be gradually extended, till at last in the course of twenty years or so from now, we have in our midst a system of compulsory and free primary education throughout the country, and that for both boys and girls. It will not do to be deterred by the difficulties of the task. Our whole future depends upon its accomplishment, and as long as the Government continues listless in the matter, it will justly be open to the reproach of failing in one of its most sacred duties to the people.

“(7) Lastly, there is the pressing need of works of sanitary improvement, such as good water-supply and drainage. As I pointed out last year, most of our towns are simply powerless to undertake such costly works without substantial assistance from the State. With the ravages of the plague in all directions and with the death-rate of the country steadily rising, the question of sanitary improvements assumes an importance which the Government cannot long ignore. The resources of our local bodies are barely sufficient for their current needs and any large Capital outlay is wholly beyond them. The present distribution of resources and responsibilities between local bodies and the central Government is most unfair to local bodies, and that is the explanation of the spectacle we have seen during the last few years, namely, that of the Exchequer of the Government overflowing with money, while these bodies have been in a state verging on bankruptcy. It is necessary that the Government should formulate and announce a definite policy in this matter.

“All these measures that I have briefly outlined will require a large expenditure of money—both recurring and non-recurring. But even as our resources stand at present, there is room for undertaking them all. Thus if the Army Re-organization scheme is held up or at least its initial cost is met out of borrowings, a sum from one or two millions a year will be available, and that may be devoted to a vigorous extension of primary education. The profits of coinage—averaging now about two millions a year—may supply funds for the relief of agricultural indebtedness. The famine grant, which stands at a million sterling, may, after deducting the expenditure on actual famine relief, now be devoted to industrial and technical education. The deposits in Savings Banks may be made available to Co-operative Credit Societies. And whatever surpluses accrue may be devoted to assisting local bodies in the construction of works of sanitary improvement. At any rate an important beginning can be made in all these directions, only the spell, under which the official mind has been for so many years, must be broken.

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“ My Lord, the improvement of the condition of the masses and the conciliation of the educated classes are the two really great problems before the British Government in India. The success or failure of England's work in this country will be determined by the measure of her achievement in these two fields. I have already spoken of the work that must be taken forthwith in hand for the moral and material advancement of the mass of our people. The task is one of great magnitude, but it is comparatively a simple one. The question of the conciliation of the educated classes is vastly more difficult and raises issues which will tax all the resources of British statesmanship. There is but one way in which this conciliation can be secured, and that is by associating these classes more and more with the government of their own country. This is the policy to which England stands committed by solemn pledges given in the past. This is also the policy which is rendered imperative by the growth of new ideas in the land. Moreover, my Lord, the whole East is today throbbing with a new impulse—vibrating with a new passion—and it is not to be expected that India alone should continue unaffected by changes that are in the very air around us. We could not remain outside this influence even if we would. We would not so remain if we could. I trust the Government will read aright the significance of the profound and far-reaching change which is taking place in the public opinion of the country. A volume of new feeling is gathering, which requires to be treated with care. New generations are rising up, whose notions of the character and ideals of British rule are derived only from their experience of the last few years, and whose minds are not restrained by the thought of the great work which England has on the whole accomplished in the past in this land. I fully believe that it is in the power of the Government to give a turn to this feeling, which will make it a source of strength and not of weakness to the Empire. One thing, however, is clear. Such a result will not be achieved by any methods of repression. What the country needs at this moment above everything else is a Government national in spirit, even though it may be foreign in personnel,—a Government that will enable us to feel that *our* interests are the first consideration with it and that *our* wishes and opinions are to it a matter of some account. My Lord, I have ventured to make these observations, because the present situation fills me with great anxiety. I can only raise my humble voice by way of warning, by way of appeal. The rest lies on the knees of the gods.”

The Hon'ble MR. SIM said :—“ My Lord, I wish to congratulate Your Excellency's Government on the continuance of the policy of ‘popular’ relief and reform, to which the Hon'ble Mr. Baker introduced us last year. The abolition of the *Village Cess* will be greatly appreciated in Madras: the relief will reach every Government raiyat in the Presidency, and though the individual

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sums may be small, the total of 28 lakhs will be considerable ; as large, for instance, as the whole Forest-revenue of the Presidency was last year. Equally appreciated will be the words in which the Hon'ble Mr. Baker expresses the desire of Government to set bounds to the extension of *Local Taxation* ; it is so easy to impose such taxation, and so easy to drag anything, even Famine Relief, within any definition of it that can be devised, that the Hon'ble Mr. Baker's words, backed, as he rightly claims them to be, by deeds, will be regarded as a very welcome pronouncement.

"Similarly, the increased provision for expenditure on *Forests*, and the kindly mention of the *Tungabadra Irrigation Project*, will be greatly appreciated. In regard to the former, I would again put in a special plea for all the liberality that is possible ; parsimony in the case of Forests simply means postponement — postponement of all the benefits, which we expect and which we have led the public to expect, the forests will eventually yield in return for present inconvenience ; liberality means hastening those benefits, and there can be few departments in which a policy of vigorous development and liberal expenditure will more rapidly repay itself. For the staff, too, I would bespeak the most favourable consideration of Government, when occasion offers, for the work of a Forest-officer is work of a high order, and the conditions under which it is carried out are exceptionally arduous.

"The prominent mention of the *Tungabadra Project* and the strong and sympathetic consideration promised to it will be read with much satisfaction in Madras ; so also, I think, and over a much larger area, will be the Hon'ble Mr. Baker's assurance that in considering the relative priority of works, direct financial returns will not be allowed to obscure or outweigh the awful indirect claims of Famine. We admit, of course, that the relative claims of others must be fairly considered before the project can be sanctioned, but, sincerely as Madras sympathizes with those others in their needs, it believes that there can be few places in India where greater good can be done by the introduction of irrigation than in the tract commanded by the Tungabadra Project ; 1,500 square miles irrigated, 1,500 more commanded, and five districts protected, in the heart of the famine zone, constitute, we believe, a very strong claim.

"In such a connection, the need for cheap and easy loans at once obtrudes itself, and the success which has attended the *Agricultural Bank* in Egypt shows how much liberality and simplicity of procedure may accomplish in this direction. That Bank has been but a short time in existence, yet at the end of last year it had 185,530 loans out amounting to £5,900,000, and after discharging all its preference dues, it paid dividends at the rate of $7\frac{1}{2}$ per cent. on its

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ordinary shares, and £15-15-0 on its deferred. It is true that the concession to the Bank is an extremely liberal one and that the Bank does not attempt to combine its money-lending business with complicated lessons in self-help and co-operative credit; still it shows what can be done and has no doubt already attracted the attention of Government. Like myself, the Hon'ble Mr. Gokhale has just drawn attention to this in his speech.

"For its share in the additional grant for *Police*—shared with the Minor Provinces, I notice—as well as for the grants for *Railways*, the *Madras Harbour*, and the like, we shall be duly grateful; and if Madras does not figure in the distribution of this year's grant for *Technical Education*, we trust it is only because the Hon'ble Member in charge is considering how much he can give us next year.

"I should like to congratulate the Central Provinces, Bengal, and Eastern Bengal and Assam, on their *Provincial Settlements*, as set out in paragraphs 215—222 of the Statement. It does not perhaps seem to be a matter with which Madras has much concern, and certainly Madras does not grudge them the liberal terms which they have obtained from the Hon'ble Member. But Madras may perhaps be excused if, comparing its own terms with theirs, it wishes that *its* turn, too, for re-settlement had still to come, instead of being past and over.

"It was in 1903-04 that the question of revising the Settlements came up, and the terms of revision were set out in paragraph 212 of the Financial Statement of March, 1904. There it was laid down that the revision should be carried out on a general basis of Provincial receiving not more than a *quarter share of growing revenues*, and Bengal, Madras and the United Provinces were at once, speaking generally, re-settled on this basis; the other Provinces, however, had to wait till the next year, and in the meantime more liberal ideas had come in, and in paragraph 203 of the Financial Statement for March, 1905, the present Hon'ble Member, in settling Bombay and the Punjab, raised their share of growing revenues, generally, to a *half*, instead of a quarter, and in the present year (paragraphs 215-217-218) he has similarly settled the Central Provinces, and (because of the partition) re-settled Bengal and Eastern Bengal and Assam. The result is that Madras and the United Provinces remain on the old *quarter* share basis, while the other Provinces are on the new-*half* share footing.

"The balance, of course, was made up to Madras by a fixed assignment, and I am not now suggesting that the total amount granted to Madras was insufficient *at the time*; but it is easy to see that, while the greater part—in the

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latest cases, 99 and 100 per cent.—of the provincial revenues of the other Provinces will be continually increasing, a much smaller part of ours in Madras will be similarly developing, and the rest will be absolutely stationary: we may therefore, without difficulty, foresee a time when Madras will stand at a great disadvantage compared with the other Provinces; and I trust that when that time comes the Hon'ble Member, who, of course, is well aware of these conditions, will show the same liberality to Madras that he has shown to the rest of India.

"May I, at the same time, join with the Hon'ble Mr. Logan and the Hon'ble Mr. Gokhale in asking the Hon'ble Member to make *Famine Relief* less Provincial, and more Imperial, for the present arrangement tells with great hardship on such Provinces as Madras and Bombay. Famine in Madras is of such regular and certain recurrence, that the cost of relief ought, I would suggest, in fairness to the Presidency, to be either specially allowed for in the Provincial Settlement, or shared with Imperial: to treat it as a rare and remote contingency, which may, for that reason, be fairly met from Provincial savings, is to ignore the facts, and to place famine Provinces, like Madras and Bombay, under a heavy liability, from which other and more fortunate Provinces are virtually exempt, and which falls upon the famine-stricken Province at a time when it can least be borne.

"In conclusion, my Lord, I have to thank your Excellency's Government for the consideration shown to Madras."

The Hon'ble MR. HARE said:—"My Lord, I only wish to congratulate the Government on the Budget which has been presented and to express our gratitude for the remission of the Zamindari Dāk Cess. The relief given by this remission is not to be measured merely by the comparatively small amount of tax remitted, but by the removal of the disproportional annoyance which its collection has hitherto caused."

The Hon'ble MR. PORTER:—"My Lord, I congratulate the Financial Member on finding himself at length in a position to abolish the Patwari Rate. When last year the Hon'ble Rai Sri Ram Bahadur recommended the abolition of the rate, he pointed out that the argument for the abolition was that the patwari was no longer a village servant pure and simple, but was really an officer of the Provincial Land Records Department; and that—as such—his pay should be met from Provincial revenues. There is much force in this argument. It is true that even now the patwari does perform certain purely village duties, and that theoretically there would be no injustice in requiring

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the village to contribute a fair share of the patwari's pay. But the present arrangement, by which the local rate contributes 25½ lakhs and Provincial revenues only some ten lakhs, is not fair. His local duties now form but a minor portion of the patwari's work. What a fair distribution of the cost of the patwari establishment between Local and Provincial would be it is difficult to say ; as not only the amount but the nature of the patwari's duties have to be considered. Probably one-third Local and two-thirds Provincial would be a fair proportion. In remitting the cess altogether the Government have not only removed a genuine grievance, but have treated the agricultural taxpayer with generosity.

" There are one or two other matters in connection with the finances of the United Provinces to which I should like to call attention.

" The enhanced annual grant for the reform of the Police will, I hope, go far towards removing the reproach that Police-officers in the lowest grade of Sub-Inspector cannot live on their present pay. But I regret that the Financial Member has not seen his way to make a lump grant for the proper housing of superior Police-officers. No improvements in pay or other prospects will suffice to attract and keep men of the required stamp, unless the quarters in which they have to spend their lives are decent and sanitary. In the large majority of our police-stations the quarters for officers do not fulfil these requirements. The Local Government is fully alive to the necessity of providing suitable accommodation. Out of the special 6½ lakhs grant, over 3 lakhs have been allotted both this year and next for police buildings. This is in addition to the ordinary budget expenditure. But the leeway to be made up is enormous; and unless some special grants can be made, a generation must elapse before the police-force can be suitably housed.

" I regret also that no special grant has been made for non-recurring educational expenditure. A statement of the present educational requirements of the United Provinces will be found in the Local Government Resolution published in the *United Provinces Gazette* of the 13th January last. By far the most urgent of all the local requirements is the need of sufficient suitable boarding accommodation in connection with secondary schools. For primary schools boarding houses are of course not required; and in case of the various colleges much has been done by Government and by private liberality to provide suitable hostels and to secure thereby a healthy university life. But to a large extent the secondary schools have hitherto been left out in the cold and it is at these schools that boys spend several of the most impressionable years of their life. The majority of these schools are under district boards:

these boards have no powers of taxation, and they are not in a financial position to provide enough boarding houses. The result is that a very large number of the boys attending those schools are under no supervision or discipline outside school hours; and their moral and physical welfare has to look after itself. I do not see how we can expect to turn out good and loyal citizens under such a system of education as that.

"Another matter to which I should like to refer is the importance of aiding municipal boards to carry out urgent sanitary reforms with a view to preventing the spread of plague. In Benares work on the sewerage and drainage scheme is stopped owing to want of funds. Allahabad cannot yet begin its drainage scheme, estimated (I believe) to cost 5 lakhs, though it hopes to be able to borrow 2 lakhs to make a start. The important hill sanatoria of Naini Tal and Mussoorie both require help; and there are about 25 towns in the plains that have prepared schemes of sanitary improvements, for which it is difficult to find the money. The prevention of plague is not a purely local concern. The subject is one of supreme importance to the Provincial and to the Imperial Governments. Government might well assist local bodies in their efforts either by grants or by loans free of interest. The Local Government is powerless as it has not the money.

"I have mentioned these three matters, not because they exhaust the needs of the United Provinces, but for two reasons. In the first place, the expenditure required to meet these needs is non-recurring, and can therefore most fitly be met by grants from surpluses. The second reason is that no one but district officers like myself, who are in immediate touch with the people, can know how urgent these local needs are.

"It may perhaps be objected that the United Provinces have their allotted heads of income and that special grants over and above that income are doles, and—as such—are opposed to sound finance. To that objection—if it were brought—there are two answers. In the first place, the United Provinces ask for no doles. Those Provinces contribute more largely, I believe, than almost any other Province to the Imperial Government; and all that they ask is that if in any year the Imperial Government has more money than it requires, a portion of their contribution should be returned to the United Provinces for local expenditure. The second answer is that though the new contract is more favourable to the Provinces than its predecessor was, the Provincial revenues are still insufficient to carry on the administration with reasonable efficiency, and at the same time to meet the cost of those reforms which are admitted to be urgently needed. To make matters worse the last two years have been very unfavourable,

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and Provincial Revenues have suffered severely. In 1904-05 a cold blizzard of unprecedented severity caused enormous loss to the crops throughout nearly the whole of the Provinces. This year the rains have failed over a considerable area, and relief works on a large scale have had to be started in some districts. According to the latest accounts some 170,000 persons are in receipt of Government relief. The Provincial treasury is so depleted that it is unable to meet the cost of these relief measures, which is estimated to amount to—this year and the next—some 26½ lakhs. The truth is that the Provincial income is insufficient for Provincial needs. This fact will have to be faced sooner or later. In the interest of the Provinces the sooner it is faced the better.”

The Hon'ble RAI SRI RAM BAHADUR:—“My Lord, it is a matter of great satisfaction that the first year of Your Excellency's administration should be signalised by the presentation of a Budget statement disclosing many pleasant features. The Hon'ble Mr. Baker is to be congratulated, because he has, since his assumption of the guardianship of the public purse, been able to present two consecutive Budgets in which the surpluses have been properly utilized and partial relief given to the Indian taxpayers by remission of taxation.

“GENERAL REMARKS.

“It is regrettable that the partial failure of the last monsoons has affected seriously the agricultural situation in the United Provinces, the Punjab, some of the districts of Bombay, Rajputana and parts of Madras. Necessity has thus arisen for expenditure on Famine Relief and for remissions and suspensions of revenue in the affected tracts. The consequent decrease in land-revenue has diminished the amount of surplus, and thus the resources at the disposal of Your Excellency's Government for improvement of administration and lightening of taxation have been very much curtailed. It must, however, be acknowledged that the manner in which the available surplus of this year is going to be applied has evoked a feeling of approbation. The sound and beneficial policy of relieving a portion of the heavy burden on land, by the abolition of some of the cesses, inaugurated by your distinguished predecessor, and a small beginning in which direction was, last year, made by the remission of the Famine cesses in Northern India and the Central Provinces, has, it must gratefully be noted, been continued and considerably expanded by Your Excellency's Government. The abolition of the Raiyatwari Village Cess in Madras, the Zamindari Dāk Cess in Bengal, the Village Officers' Cess in Coorg and the Patwari Cess in the United Provinces, the Punjab, the North-West Frontier Province, the Central Provinces, Ajmer and in Sambalpur, has afforded relief to a class of taxpayers who

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required relief in this direction so urgently, who have been looking for it patiently so long and from whom it could no longer be withheld with justice, especially when the Indian finances have now for some years past been in such prosperous condition.

“THE PATWARI CESS.

“My Lord, the abolition of the Patwari Cess will be hailed with unmixed feelings of gratefulness by the agricultural taxpayers of the United Provinces. Since the remodelling of the system which completely altered the position of the Patwaris from servants of the village to servants of Government, the levying of any cess from the classes connected with land, for defraying the expenses of their remuneration, was wholly unjustifiable. On the occasion of previous Budget discussions, at this Board, I have been urging the abolition of the Patwari rate. In doing so I simply echoed the universal voice of the payers of that rate in the United Provinces; and I am glad to notice that the same feeling existed in the minds of the officials also, as the remarks just made by the Hon'ble Mr. Porter, the official representative for those Provinces, shows. In reply to the remarks made by me on this subject during the last year's Budget debate, and in defence of the action of Government for the retention of this rate, the Hon'ble Mr. Baker was pleased to say that ‘the history of the patwari-cess in the United Provinces’ threw ‘grave doubts on the reality of the benefits to be derived by the cultivating classes from the abolition of the cess.’ But I beg to say, that no such doubt ought to have been entertained, as the enactment (Act IX of 1889) governing the appointment of Patwaris empowered the landlords to realize from the actual cultivators of the soil a moiety of the cess paid by them to Government; and the landlords exercised this power to the full extent. Your Excellency's Government has earned the gratitude both of the land-holding and the cultivating classes who will be benefited equally by the relief now afforded them by the remission of the Patwari Cess.

“WANTS OF THE UNITED PROVINCES.

“My Lord, with Your Excellency's permission, I would like first to notice briefly those portions of the Financial Statement which have a direct bearing on the United Provinces—the Provinces which I have the honour to represent, and to urge, for the consideration of Your Excellency's Government, some of the most pressing local requirements and the necessity for enlarging the amount at present allotted to the Provincial Exchequer for expenditure under the settlement now in force.

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"I find that in the Budget Estimates—

- (1) provision has been made for Famine Relief and for suspensions and remissions of revenue,
- (2) an additional grant of three and a quarter lakhs has been given for carrying out the reforms recommended by the Police Commission, and
- (3) a sum of Rs. 30,000 has been given for the expansion of the mechanical apprentice class at the Roorkee College.

"As regards the first item, I beg to say that the Provinces have hardly had breathing time to recover from the injurious effects of the unprecedented frost of last year's Winter; the partial failure of the rains in the last rainy season and the keeping off of the Winter rains, too late to retrieve the lost position, have rendered the agricultural outlook in many parts very gloomy and serious. No less than eight districts, or portions of districts, comprising an area of 10,504 square miles, with a population of 3,337,000, have been declared by Government as affected by famine, and the number of persons now on the Relief Works in the affected areas is about 200,000. It cannot, however, at present be said with certainty whether the sum allotted in the Budget will suffice for the purpose.

"The three items described above are the only additional allotments. The Imperial Government has made no further additions to the amount at the disposal of the Local Government to meet the increasing expenditure required for sanitary, educational, and other administrative wants of the Provinces. Indeed, my Lord, the absence of any additional grants in the Budget allotments, for the removal of some of the most pressing needs of the Province, has, I must confess, engendered a feeling of great disappointment. I beg to mention some of the most important matters deserving immediate attention, but which, for want of funds, cannot be taken in hand.

"SANITATION.

"The United Provinces have a greater number of big and thickly populated cities and towns than any other province. The carrying out of sanitary measures in these urban areas does therefore occupy a most prominent place in the list of administrative works. The necessity for these measures has now acquired a greater importance in order to prevent and alleviate the severity of plague and other epidemic diseases. These cities and towns require funds to demolish their insanitary quarters, to improve the paving of their

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roads, alleys and side walks, to widen narrow streets, and to construct and perfect their systems of drainage. Some of the larger municipalities have already commenced to improve and construct their drainage system, but it is impossible for them to bring them to completion without substantial aid from the Government. The incomes which these and other municipalities derive from local sources do hardly suffice for their ordinary expenses. Without Government assistance the measures of sanitation so necessary for the improvement of the health of these towns cannot be taken in hand. In the Home Department Resolution No. 7²/₈₅, dated the 17th January, 1906, Your Excellency's Government has announced the policy that the municipalities and local bodies should be encouraged and assisted in carrying out measures of sanitary improvement.

“ EDUCATION.

“ The next matter which deserves an equal—if not greater—share of attention is Education. A considerable increase in the sum now allotted is necessary for the expansion of Education in all its branches, but those mentioned below require special consideration.

“ *Secondary Education.*—The special grant of 6 lakhs, out of the 35 lakhs to the whole of India, has enabled the Educational Department to give a good start in Primary Vernacular Education; a still larger expenditure is required to bring the United Provinces abreast with other Provinces. But I am sorry to say that Secondary Education has not received the care which its importance deserves. The grant for Primary Education being ear-marked, no portion of it can be applied to improve Secondary Education. In its last review on Education the Local Government, referring to Secondary Education, remarked that in no branch of public instruction is reform more urgently required. The local University has been trying to raise the standard of collegiate education; but this object cannot be attained as long as the students from the institutions imparting Secondary Education go to the colleges with meagre attainments and with no solid training. My Lord, the situation is so truly depicted in the concluding portion of those remarks that I cannot refrain from quoting them *in extenso* :—

‘ There can be little doubt that the policy of concentrating expenditure on Primary Education and leaving English Education to look after itself has been pushed to undue lengths, with results that were certainly never contemplated by the Government of India, and, in fact, are productive of general dissatisfaction. The remedy is to improve the position of teachers so as to attract good men, to improve the accommodation and surroundings of the schools, to build decent Boarding Houses, and to make large grants

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to aided schools. The Local Government is doing what it can, . . . but a full measure of reform must await a grant from the Imperial Exchequer.'

The sum annually required by the Local Government to improve the position of Secondary Schools is five and-a-half lakhs to be applied to the following objects:—

(1) Improving the teaching staff in English Schools . . .	1,50,000
(2) Increasing grants-in-aid to English Schools . . .	1,00,000
(3) Improving the teaching staff in Vernacular Secondary Schools.	1,00,000
(4) Grant for buildings	2,00,000

" But on this point also the Budget Statement is totally silent and the prayer of the Local Government for additional allotments has not met with a favourable response.

" *Female Education.*—No Province is more backward in female education than the United Provinces. In the Quinquennial Report on Education in India (1897-98 to 1901-02) it was noticed that, except for the Frontier Province, the United Provinces stood at the bottom of the list, with only one girl out of every 203 attending a Primary or Secondary School. Matters have not improved much in the succeeding three years, for the Provincial Education Report, for the year ending 31st March 1905, gives the number of girls attending schools as follows:—

Secondary Schools	3,304
Primary Schools	18,309
Private Institutions	4,037
TOTAL	<u>25,640</u>

These figures give the very insignificant percentage of 74 only for every hundred (in other words seven girls in a thousand) of the female population of the school-going age. This deplorable condition of female education in the Province attracted the attention of the Local Government, and in the last year a committee of Indian gentlemen was appointed to go round and visit institutions imparting education to females in the different provinces, and submit a feasible scheme suitable to the condition and wants of the United Provinces. In due course the Committee submitted their Report containing suggestions for the improvement and expansion of female education; and the scheme proposed by them, when in full working, was ultimately to cost about 6 lakhs of rupees a year. To give the scheme a start a much smaller sum was required, but the Local Government in its letter dated 22nd February last

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addressed to the Director of Public Instruction, though valuing greatly the proposals of the Committee, expressed its inability to give effect to those proposals in their entirety for some time to come; and said that it had no funds to make any further allotment whatever for the purpose during the year 1906-07.

"My Lord, these facts speak for themselves and require no comment. The situation is deplorable indeed when not even a beginning can be made in the improvement of female education for want of funds.

"*Other Educational Reforms and Measures.*—In its Resolution reviewing the educational progress of the last year, the Local Government requires about $2\frac{1}{2}$ lakhs of rupees as a recurring, and $14\frac{1}{2}$ lakhs as non-recurring, for additional expenditure on reforms considered to be most urgently needed in collegiate education and in the inspecting staff. This demand of theirs also has received no favourable consideration.

"The educational awakening in the United Provinces is unprecedented. To commemorate the Royal visit, the establishment of a Medical College was decided upon, and within the short space of only six weeks no less than 12 lakhs of rupees were subscribed spontaneously for that purpose. 'Private liberality,' says the Local Government in its review on the last Educational Report, 'has done much. Within the last three years several lakhs of rupees have been spent on the schemes for the development of Arabic and Sanscrit, on the endowment of scholarships and on the building of Schools and Boarding Houses . . . Including these sums (19,55,500), and contributions from missionary bodies and donations . . . the subscriptions of the public for education in the Province must in three years have amounted to nearly 40 lakhs of rupees.'

"Surely, my Lord, a people who have shown their eagerness for educational advancement in such a practical way deserve every encouragement from the Government who should help them in their efforts with liberal pecuniary aid.

"The aggregate amount of money received from all sources and spent on the education of each unit of population in the United Provinces is very low as compared to all other Provinces, with the exception of the North-West Frontier Province. The tabular statement given below (compiled from the returns contained in the various Provincial Educational Reports for the last year) will show that the United Provinces spent only Rs. 80 for each thousand of their population, whilst Bombay, which tops the list, spent Rs. 245 for the same unit.

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Table showing for each Province (excluding Native States), the total expenditure on education from Provincial Revenues, Local and Municipal Funds and the special grant of Rs. 35,00,000; and the expenditure per thousand of the population according to the census of 1901.

Province.	Provincial Revenues.	Local Funds.	Municipal Funds.	Provincial share in the special grant of Rs. 35,00,000.	Total of columns 2, 3, 4 and 5.	Population according to the census of 1901.	Expenditure per thousand of population.
1	2	3	4	5	6	7	8
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
Bombay	26,29,430	9,72,209	4,51,887	5,00,000	45,53,526	18,559,561	245
Burma	9,34,388	2,58,605	2,48,626	2,00,000	16,41,619	10,490,624	156
Central Provinces and Berar	6,29,478	6,56,732	1,09,269	2,00,000	15,95,485	12,630,662	126
Punjab	13,26,732	5,76,936	3,40,443	3,00,000	25,44,111	20,330,339	125
Assam	3,08,427	3,28,298	8,500	1,00,000	7,45,225	6,126,343	121
Madras	25,51,641	9,45,280	2,69,829	6,00,000	43,66,750	38,209,436	114
Bengal	32,27,919	17,45,521	1,17,285	10,00,000	60,90,725	74,744,866	81
United Provinces . . .	11,47,247	19,18,997	1,51,072	6,00,000	38,17,316	47,691,782	80
North-West Frontier . .	31,124	51,761	38,266	Nil.	1,21,151	2,125,480	56

"PROVINCIAL SETTLEMENT.

"On the occasion of previous Budget debates I have tried to show that the United Provinces are not being fairly treated by the Imperial Government in the matter of allotments made to them for local expenditure out of the revenues raised by them. When the last Provincial settlement was being made we hoped that it would be effected in such a way as to put the Local Government in possession of funds which would suffice not only to cover the actual expenses, but leave a good margin to enable it to meet the ever-increasing wants of a progressive Province, in matters administrative, sanitary and educational. In the Financial Secretary's Memorandum appended to the Budget the estimated revenue for the previous provincial settlement is given at Rs. 3,42,62,000 and the expenditure also comes to the same amount. For the present 'quasi-permanent settlement' the figures both for revenue and expenditure are Rs. 3,66,64,000. No doubt the Government of India have now and then been helping the provincial exchequer with additional grants to meet certain unforeseen charges, such as Famine Relief and remissions of revenue, etc.; but, my Lord, though the sums thus doled out serve the purpose for which they are given, yet unless the allotment is increased by

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50 lakhs a year the provincial wants cannot be adequately relieved, nor can improvements of a satisfactory nature be effected in the various administrative measures required to promote the material prosperity and educational advancement of its people. That the United Provinces have been starved in the past admits of no doubt, but that is no reason why the same state of things should be allowed to continue in the future. Justice requires that they should receive the same treatment financially as the other provinces of India. They contribute no less than a quarter of the total amount of land-revenue payable by the whole of British India. They do not receive as liberal a share in certain heads of divisible revenue as the other provinces do. The subjoined table will show the approximate shares which the different provinces receive respectively in those heads of revenue; these shares have been calculated from the figures given in Finance and Revenue Accounts of the Government of India for the financial year 1904-05 at pages 6-7, 18-19 and 22-23 :—

Province.	HEADS OF DIVISIBLE REVENUE.					
	Land Revenue.	Stamp.	Excise.	Assessed taxes.	Forest.	Registration.
United Provinces.	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{1}{4}$
Bengal . . .	$\frac{2}{8}$	$\frac{1}{2}$	$\frac{7}{16}$	$\frac{1}{4}$	$\frac{1}{4}$	1
Central Provinces	$\frac{7}{8}$	$\frac{3}{4}$	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Burma . . .	$\frac{2}{8}$	$\frac{3}{4}$	$\frac{1}{3}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Punjab . . .	$\frac{6}{7}$	$\frac{3}{4}$	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Madras . . .	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{1}{4}$	1
Bombay . . .	$\frac{7}{8}$	$\frac{3}{4}$	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$

A glance at this table will show that the United Provinces' share in land-revenue is only one-fourth, while the shares of the more favoured provinces range from one-half to seven-eighths. Under head Stamp four provinces get three-fourths, while the United Provinces get only one-half. Excise gives a larger share to Burma and Bengal—that of the last-named being seven-sixteenths *i.e.*, a little less than one-half—than given to the United Provinces which get only one-fourth. In Assessed Taxes no less than four provinces get one-half, but the United Provinces get only a quarter. Under the head Forest, four provinces get one-half, but the United Provinces receive only a quarter. Under no head is

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this difference more visible than Registration. Two provinces get the entire revenue, others get a moiety, the United Provinces alone getting only a quarter.

“The total receipts under the different heads of divisible revenue for the United Provinces in 1904-05 were as follows:—

	Land Revenue.	Stamps.	Excise.	Assessed Taxes.	Forest.	Registration.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Total amount . . .	6,31,00,000	84,46,000	1,02,00,000	20,90,000	23,97,000	4,54,000
Imperial share . . .	4,57,00,000	42,23,000	76,68,000	15,76,000	17,97,000	3,40,000
Provincial share . . .	1,73,00,000	42,23,000	25,00,000	5,13,000	5,99,000	1,13,000

If the United Provinces' share in land-revenue alone be equalised to those of the more favoured provinces, their finances will be placed in a satisfactory financial condition. The same object can also be attained by the equalisation of the United Provinces' share in two or three other heads of revenue, say Stamp, Excise and Assessed Taxes, with those of other provinces, who are more favourably treated in this respect.

“INDUSTRIAL EDUCATION AND INDIGENOUS INDUSTRIES.

“My Lord, one of the highly disappointing features of the Budget Statement is that only a very small addition has been made to the amount to be spent on technical and industrial education; the total additional sum for the whole of British India being Rs. 2,54,000 only. It is hardly necessary to state that the addition now made is wholly inadequate when we take into consideration the great importance of the matter, the gravity of the situation, the large interests at stake, the incalculable injury which the absence of a proper and well-organised system of technical and industrial education has done to the material condition of the people, the previous neglect by Government in this direction, and lastly though large surpluses have been accruing since the last seven or eight years yet this branch of education excepting agriculture has not been further advanced. And this paltry sum of 2½ lakhs of rupees has been given to only four provinces and for specified purposes.

“My Lord, opinions may differ as regards the causes—economic or otherwise—which have brought about the poverty of the masses of the Indian population; they may differ also on the question whether the people are getting poorer or richer, but there can be no diversity of opinion as to the fact that the great masses of the people of India are really poor. No better or higher

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authority can be cited on this point than Your Excellency's distinguished predecessor Lord Curzon himself, who, when summing up the Budget Debate in 1903, said as follows:—

‘I do not wish it for a moment to be thought . . . that there is no poverty in India. Far from it. There is enough, and far more than enough. There is a great deal more than anyone of us can contemplate with equanimity or satisfaction.’

“Such a conclusion must force itself irresistibly upon the mind of every impartial observer of the state of affairs in this country. The whole of the vast population of India may be divided into three classes—the upper, the middle and the lower. The upper class consists of a handful of big zamindars, rich merchants, and holders of important Government offices. They may be left out of consideration as they form only an infinitesimal portion of the population. As regards the middle classes, who form the backbone of the nation, a large number of them look to service or one of the professions as their only haven. But these walks of life cannot absorb any appreciable number of them; they have very slender chance of earning even a humble livelihood, as trade, commerce and industry are practically shut to the majority of them. If we descend to the lower classes—the vast mass—we are confronted with a spectacle of poverty which, as Lord Curzon said, is ‘a great deal more than any one of us can contemplate with equanimity or satisfaction’—and these lower classes form more than 80 per cent. of the three hundred millions of the population of India. In days gone by a goodly number of them had either agriculture or an independent calling of their own as means of livelihood. They either tilled the soil themselves, or were employed by the agriculturists as labourers, or followed some handicraft. The only employment now available to the great majority of the population in the rural areas is either cultivation or labour. The lot of the cultivator, though a little better, is not the less hard or less precarious than that of the labourer. The majority of the peasant classes is involved in deep and inextricable indebtedness, and if the condition of the agricultural labourer is miserable in ordinary times, it becomes simply unbearable, when by the least vicissitude of the season there is a stoppage or cessation of work in the fields. The labouring classes are in a chronic state of poverty hardly raised above the point of starvation.

“The problem of a few thousand of the unemployed in England is deeply exercising the minds of His Majesty's Ministers, but here in India millions of human beings, also subjects of the same Sovereign, are without employment and sufficient food. This problem of the unemployed in this country, I humbly submit, should engage the serious attention of the Government.

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"My Lord, one of the most disastrous and far-reaching effects of the great famine of 1877 was that vast numbers of the artisan and industrial classes, finding their occupations crippled or gone altogether, forsook their hereditary callings and betook to agriculture as a means of subsistence. This combined with foreign competition dealt a death-blow to native industries and handicrafts. A great portion of the rural population has thus been driven to fall back upon land and adopt as their calling agriculture, the success of which in India, more specially in those parts where the means of artificial irrigation are deficient or non-existent, depends largely on the downfall of rain at seasonable times and in suitable quantities. A fierce competition for land for agricultural purposes has sprung up and pressure on it has increased to an alarming magnitude.

"In order to protect the rural masses against the consequences of drought and to improve their condition to resist the effects of famine, the first Famine Commission in their report of 1880 suggested (1) extension of means of irrigation wherever it was practicable with advantage, and (2) improvement in the methods of agriculture. Both these subjects have now been taken in hand by the Government and are receiving due consideration. As regards the first, recommendations of the Irrigation Commission are being carried out in several parts of the country. With regard to the second, steps have already been, or are being, taken to establish institutions for scientific research, for imparting instruction in scientific and practical agriculture and for introducing measures calculated to improve the indigenous methods. Liberal allotments for these purposes have been made to the different Local Governments. The provincial Departments have been awakened to their real duties and it is hoped that, within a reasonable period, lasting and extensive improvements will be effected in the agricultural methods of the country, and which would help to remove the poverty of the rural classes to a considerable extent.

"It is an historical fact that only a hundred and fifty years ago India was industrially one of the foremost countries in the world. Not only did it supply its own cotton and silk fabrics, its metal utensils, its sugar and other industrial products, but exported many of these articles to foreign countries, including the British Isles. But the adoption of the policy of protection by the ruling country in days gone by and other potent causes have dealt the death-blow to the once flourishing industries of India, and alas! her people have now been reduced to the condition of a purely agricultural nation. The figures given in the last Census Report reveal the very disquieting fact that the means of livelihood of a great majority of the Indian population is agriculture. Roughly speaking, of the total population of 300 millions, no less than nearly 192

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millions are returned as having agriculture as the means of their subsistence. This indicates that out of every hundred people no less than nearly 66 live by agriculture. A merely agricultural nation, my Lord, which depends to a very large extent on the manufactured goods of other countries, can never rise in prosperity. 'An agricultural nation,' observed Frederick List, the eminent German economist, 'is a man with one arm, who makes use of an arm belonging to another person, but cannot be sure of having it always available. An agricultural manufacturing nation is a man who has both his arms of his own and at his disposal.' The first Famine Commission, in their report, alluded to above, noticed with concern 'that at the root of much of the poverty of the people of India, and of the risk to which they are exposed in seasons of scarcity, lies the unfortunate circumstance that agriculture forms almost the sole occupation of the mass of the population, and that no remedy for the evils can be complete which does not include the introduction of a diversity of occupations, through which the surplus population may be drawn from agricultural pursuits, and led to find the means of subsistence in manufacture or in some such employments.' My Lord, this was the state of things in 1880; more than a quarter of a century has passed away since then. Has any substantial, enduring and appreciable improvement taken place in the condition of the majority of the people, regarding whom the above remarks were made? I am deeply grieved to say that the only answer which can be given to this question is in the negative. It is true that some people have found employment as operatives in the mills established since 1880, in the mining industries recently introduced and on the extensive lines of railways opened since that time. But, my Lord, when the fact is taken into consideration that in the last census (1901) the persons whose means of subsistence is agricultural labour came to about 35½ millions—leaving out the agriculturists proper—the number of men who have found employment in the newly established mills, mines and railways sinks into insignificance, and it cannot be said that any appreciable change for the better in the general condition of that class of people has taken place.

"The question of industrial education has sometimes been mooted, but it has never engaged the attention of Government to the extent which its importance demands. Your Excellency's predecessor appointed a Committee in 1901, which was directed to visit the different Provinces with a view to enquire into the advisability of establishing Industrial Schools at suitable places and to advise Government, after consultation with local educational officers and others, what in the opinion of the Committee would be the best means of establishing such institutions. The constitution of the Committee had, however, one great drawback—it had no Indian on it as a member. The Committee visited various industrial centres and the head-quarters of the Provincial

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Governments, held local conferences, collected much useful and valuable information and finally submitted their report. That report embodied proposals which did not commend themselves to the Government of India, and in the Home Department Resolution of 14th January, 1904, those proposals were characterised as not fulfilling the requirements laid down in the instructions given for the guidance of the Committee. The recommendations of the Committee were described as open to serious objections. The said Resolution laid down certain lines according to which Local Governments were desired to take action with regard to Industrial Schools as well as the adoption of means to produce better handicraftsmen. But the solution of the problem was left to Local Governments.

“ My Lord, this was in 1904 ; since then the Government has created a new bureau specially devoted to Commerce and Industry, and has placed it under an officer who is possessed of an intimate knowledge of the requirements of the various Provinces and who by his broad sympathies is fitted to advance the cause of industrial training and of the indigenous industries. My Lord, the subject divides itself into two branches ; first, industrial education, and, second, revival and creation of indigenous industries. It is hoped that both these matters will receive a more careful attention from Your Excellency's Government than they did during the late *régime* ; that prompt, well-defined and systematic action will be taken, and means devised for the resuscitation, promotion and encouragement of indigenous industries, for starting industrial schools where none exist, and for placing the existing institutions on a more useful and efficient footing. In order to attain these objects the appointment of special expert officers, European and Indian, both under the Central and Local Governments, appears to me to be a necessary step. These officers should devote the whole of their time to the subject. What I beg most earnestly to submit is that not only would Your Excellency's Government be pleased to devote their best attention to this matter, but would so place sufficient funds at the disposal of the Provincial Governments to enable them to carry on a well-defined, progressive and gradually expanding system of technical and industrial education. No time should be lost in adopting measures, in addition to those already taken, to resuscitate dying industries and manufactures, and to develop and expand those which are in existence, so that every possible resource of the country may be profitably tapped and utilized, and a substratum of wealth, among the people, may be created, which would enable them to tide over, without great suffering, calamities like famine and scarcity. The adoption of such measures will not only improve the material condition of the people, but will also save, to a great extent, the large expenditure which the Government incurs on such occasions and for the recoupment of which recourse is not unoften had to harassing taxation. The considerable sums which Govern-

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ments of other civilized countries devote to Industrial Education and to the promotion and encouragement of indigenous industries place in very unfavourable light the very small amount which is devoted to this purpose in this country. My Lord, the people of India entertain a very sanguine hope that Your Excellency's Government will be pleased to take a more extensive and more vigorous action in the matter of technical and industrial education and of the revival, establishment and development of indigenous industries. This hope of theirs is strongly fortified by the fact that one of the first measures taken by Your Excellency was the appointment of a Committee to enquire into and report on the question of purchasing supplies and stores for Government Departments from local manufacturers. The Resolution appointing the Committee and indicating the lines to be followed in purchasing stores of local manufacture has in some quarters been styled as the 'Swadeshi' Resolution. The sympathetic policy indicated in that Resolution will, when carried out, no doubt give great impetus and encouragement to local industries.

" Before I conclude my remarks on this subject, I beg to bring to Your Lordship's notice that the recent action of some of the Government Departments is not calculated to encourage local industries. I refer particularly to supplies of warm clothing issued, through the Army Clothing Department, to the troops; although worsted socks of good make and finish could be supplied by the Cawnpore Woollen Mills, yet, I am told, a very large order has just been sent Home without giving the said mills or any other Indian firm a chance to submit a tender for supplying that article. When the Cawnpore Woollen Mills asked for a specification to enable them to submit a tender, they were told that none was available. Articles imported from England have to be paid for long before they can be brought into use; and they cannot be rejected if found inferior in quality. The English manufacturers pay no income tax in India, while the Indian mills, by whom such tax is paid, are deprived of the profits which they would make by getting such jobs.

"INCOME-TAX.

" My Lord, there is one item of income which requires special explanation. While presenting the Budget Statement for 1903-1904, Sir Edward Law anticipated a decrease of £240,000 = ₹36,00,000 in the receipts under the head of Income Tax, from the rise of the taxable limit of incomes to ₹1,000. For the year preceding, the Accounts gave the total collections under the head of Assessed Taxes as amounting to ₹2,11,56,423. In the first year after the remission this amount fell to ₹1,82,19,976. But from the next year the amounts began to rise annually; in the year 1904-1905 it reached to ₹1,90,47,032, and for the current

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year (1905-1906) it is estimated to come to Rs. 1,96,33,000. For the coming year it is estimated that this item of revenue will yield Rs. 2,01,48,000. A glance at these figures raises in one's mind a very strong suspicion that many persons who ought to have been exempted either have got no exemption at all, or that they are being re-assessed. The increase of more than 19 lakhs in the estimated income for the year 1906-1907 over that of 1903-1904 appears to be otherwise inexplicable.

“GRADE PROMOTIONS OF SUBORDINATE, JUDICIAL AND EXECUTIVE OFFICERS.

“There is one matter connected with the public services in India to which I beg to invite the special attention of Your Excellency's Government. Under Chapter VI of the Civil Service Regulations grade promotions are allowed to the members of the services enumerated therein, but the subordinate judicial and executive branches of the Provincial Service are excluded from that category; the result is that Munsifs and Subordinate Judges in the judicial branch, and Deputy Collectors, Sub-Deputy Collectors and Tahsildars in the executive branch, do not get any temporary grade promotions. These classes of public servants yield to none in their devotion to duty and the performance of the work entrusted to them. In fact, it is they on whom the great bulk of the executive and judicial work in the districts and the sub-divisions falls. The allotment of small sums to each of the provinces will suffice to cover the cost of giving temporary grade promotions to these hard-worked public servants. The bestowal of this privilege will be highly appreciated by them and will give them an incentive to work still better.

“APPOINTMENT OF INDIANS AS ASSISTANT ENGINEERS.

“There is another question relating to the public service in India to which I would draw Your Lordship's attention. It is the appointment of Assistant Engineers to the Indian Public Works Department made in England by the Secretary of State for India. Until recent years the door of competition for entrance into the Public Works Service of the Imperial branch was open to such Indians as had the means and the enterprise to compete for those appointments by entering the Royal Engineering College at Cooper's Hill. Lately the number of appointments open to Indians was limited to two. The notices issued by the Secretary of State during the last two years inviting applications from candidates for appointment as Assistant Engineers expressly excluded the Indians, but as the appointments advertised for were in addition to those to be made from the Royal Engineering College at Cooper's Hill, the appointments which were

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open to Indians, as pointed out by the Hon'ble Sir Denzil Ibbetson during the Budget discussions last year, remained untouched. The Cooper's Hill College is going to be closed, I think, after this year: the Indian public are anxious to know what steps the Government is going to take in order that the appointments which can now be secured by Indians will remain open to them in future when the Cooper's Hill College ceases to exist.

"ACCOMMODATION FOR THIRD CLASS RAILWAY PASSENGERS.

"My Lord, there is one matter connected with the Railway administration to which the Indian public attach great importance, and therefore I consider it my duty to bring it to Your Lordship's notice. There has been a complaint now of long standing that the number of carriages for third class passengers is insufficient on almost all the railway lines, and falls much below the requirements of the constantly growing traffic. This drawback is most injuriously felt when there is a great pressure of third class traffic, specially on the occasion of great gatherings at the religious places. The inconvenience and discomfort to which third class passengers are put, and the great risk of falling victims to epidemic diseases which they incur because of the overcrowding in the carriages, and the long time they have to wait before they can find accommodation in a train, are matters which pass description. It is not an infrequent sight to find the passengers huddled together in trucks and waggons intended for carrying goods. These goods waggons have sometimes labels attached to them limiting the number of passengers to be accommodated in the hot and cold weather, but this injunction is more honoured in the breach than in the observance. My Lord, it is the third class passengers who contribute the large sums which go to swell the railway earnings in coaching traffic. They being voiceless cannot give utterance to their grievances; their case therefore deserves the greater attention. In order to remove their just grievances and to minimise their discomfort and inconvenience, it is necessary that the number of third class carriages on the principal lines should be largely increased. There can be no excuse now for not increasing the number of this class of carriages, as large yearly surpluses have been accruing to those railways, a portion of which can be applied to no better object than providing sufficient accommodation for the class of passengers who contribute so largely to their earnings.

"My Lord, before I conclude, I beg to say a few words on the reduction of postage on letters. The time, in my opinion, has come when the minimum

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charge should be reduced from half-an-anna to one pice. The concession made to the public, by increasing the weight of letters to be carried for half-an-anna, is not of much benefit to them, as half-tola weight letter paper is used more generally than paper exceeding that weight. But by the reduction of postage from half-an-anna to one pice real benefit will be conferred on the public. Receipts of the Postal Department have been increasing steadily every year, and after deducting all expenses, large annual savings have been accruing to Government. In the Financial Secretary's Memorandum the increase for the year about to close is estimated at a little over 15 lakhs, and for the ensuing year it is anticipated to reach nearly 19 lakhs. No apprehension should be entertained of any ultimate loss of income from the concession. Past experience of the working of the Postal Department has shown that whenever any concession has been made the increase in the receipts has always exceeded the anticipated loss."

The Hon'ble THE MAHARAJA OF DARBHANGA said :—"My Lord, it has become the custom for unofficial Members of Council like myself to take advantage of the yearly discussions upon the Budget to lay before the Government of India their submissions upon questions of internal administration in which they feel themselves to be interested. In past years there have been occasions more than one in which it has been impossible to avoid controversy or, at all events, serious disagreement with the policy of Government. Today I am glad to recognise that we are meeting in an atmosphere of rest and calm. As the Secretary of State for India observed, in his suggestive speech in the House of Commons some weeks ago, the time has come to allow India to take breath : and we in Bengal at any rate are glad to think that in those words we have discovered the keynote of the policy which Your Excellency intends to pursue in internal affairs. But we are not without our hopes also of progress upon the lines of genuine sympathy and mutual trust which stand revealed by Your Excellency's public utterances. We are in no hurry. The bustle and excitement of the past seven years have cured even the most advanced of Indian reformers of any desire in that direction : but we are nevertheless full of anticipations. Year by year the educated class in India is growing : and while we take a pride in our connections with England, and are grateful for the privileges we enjoy, we are looking forward to the time when Mr. Morley's visions may be realised and when we may be more closely associated with the government of the country than we are at present. Personally all my instincts and all the instincts of the land-owning class to which I belong are against change ; but we

like, my Lord, to feel that we are trusted by our rulers, and that our efforts to act as the mouthpiece of Government to the people are being appreciated.

"Your Excellency has already heard from many an authoritative source of the sincerity and the depth of loyal welcome which India has been proud to extend to Their Royal Highnesses the Prince and Princess of Wales. We in Bengal affirm that we yield to none in our affection for the Royal House; and although Their Royal Highnesses were not able to extend their tour to any other portion of Bengal than the capital of the Province and of the Empire, they may rest assured that whether at Dacca or at Bankipore the manifestations of joy and respect would have been no less outspoken than they were in Calcutta. The memories of Their Royal Highnesses' visit will long be cherished in India, and the kind and sympathetic words which they have everywhere spoken in response to our greetings have sunk deeply in our hearts.

"I now venture, my Lord, to approach the consideration of two questions in which I confess I am greatly interested. The one relates to the separation of Executive and Judicial functions, the other to the development of Agriculture.

"I am glad to observe from the recent home telegrams that there is a possibility of some reduction being made in the Army expenditure—an economy which I am sure would be applauded by the whole country. If an expenditure of 15 millions was considered sufficient during the South African War, when Russia was in her full strength, there can surely be no sound reason why an expenditure of considerably over 20 millions should be necessary now when the power of Russia has been broken for years to come, and when we are further protected by '*ententes cordiales*' and the Japanese Alliance. What I ask is the use of alliances if we are not to take advantage of them? There is not the shadow of a doubt that 5 millions a year might safely be cut off the army expenditure for the next ten years, and if the 50 millions thus saved were sunk in developing the great resources of the country, we should at the end of that time have laid the foundations of a new India: and with our sinews of war thus strengthened we should thereafter be in a much better position to cope with Russia, should she have designs upon India in the future. On the other hand, if we sink our resources in militarism while Russia, which is sick of war, sinks hers in peaceful development, it may go very hard indeed with India should the shock of conflict ever come. Five million sterling a year represents a capital of one hundred and fifty million sterling. Just imagine for a moment what that would mean if applied for ten years to the development of the country.

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"Among the resources of the country which require developing, the great industry of agriculture stands pre-eminent. I am aware that Government intends spending at least 20 lakhs every year in the improvement of our great industry; but unless the cultivators are placed in a position which will enable them to take advantage of the improvements which Government so generously offers, I am afraid that the money spent will be to a large extent wasted. As Mr. Moreland, Director of Agriculture for the United Provinces, remarked in his paper read at the Benares Industrial Conference :—

'Quite apart from the advance that is to be hoped for from the applications of agricultural science to this great industry, the fact stands out that capital is the great need; and so long as the cultivator cannot find money to realise his existing ideal, it is of little use to try and enlarge his ideal by the introduction of new elements that need still more money for their realisation. You are aware that the Government of India has decided to increase largely the expenditure on the Agricultural Department; but this policy can meet with full success only if the supply of capital is organised at the same time.

"Here then is a further need for cheap capital, for much of the labours of the Agricultural Department will necessarily be wasted if capital is not forthcoming to enable the people to realise their results. So that the supply of cheap capital stands out clearly as the central factor in the problem of agricultural improvement at the present time.

"It would be beyond the scope of this brief paper to discuss in detail the methods by which capital can be brought within the cultivators' reach, but a few governing conditions may be briefly stated.

"Firstly, the capital required by the individual cultivator is small; but, secondly, the aggregate amount required is very great; while, thirdly, the supply must be made promptly and on terms that the cultivator can accept. It follows that a very complex organization is required to control a large capital and distribute it in small sums among a great number of individuals with due regard to the character and competence of each. These conditions make it impossible for the need to be met by banks working on European lines; and to my mind, at least, they make it equally impossible to rely on the action of Government agency. In a word, the necessary organization must be built up among the people who are to share its benefits.

"As you are aware, an attempt is now being made to create the beginnings of such a organization in India. The economic side of the co-operative movement will no doubt be dealt with fully by other speakers at this Conference: it suffices for my present purpose to point out that either this or some other equally effective form of organization is a necessary preliminary to any considerable improvement in the agriculture of the country—nay, more, it is necessary to prevent the progressive degradation of our greatest industry.'

"These, my Lord, are weighty words.

"What I have to suggest, therefore, is that Government should tackle the great question of agricultural finance in a much bolder spirit than they have hitherto done. In the Co-operative Credit Societies Act an excellent measure was passed a couple of years ago, but I do not think that Government are backing it up as they ought to do. I am aware that a fair number of Societies have been started in various provinces ; but altogether the money turned over by them, so far as I can learn, amounts to only a few thousand rupees, and at the present rate of progress I am afraid that the end will not be reached this side of the millennium. Cultivators themselves have not the capital required to develop their holdings, and moneyed men are naturally chary of new ventures. But while, as Mr. Moreland says, it might be difficult for Government itself to directly finance the cultivators, can it not do something to encourage the moneyed men of the districts to venture a little in the way of financing the villagers ? I daresay, my Lord, some could be found who would be willing to risk their capital if they had some sort of Government guarantee behind them. With such help, small local banks might be formed which would finance the surrounding villages, or perhaps Government itself might deposit something experimentally in selected villages working under the Co-operative Act, without waiting for the people to first of all put down their money ; or Government might deposit in the village society one rupee for every rupee deposited by non-members. I merely throw out these suggestions for what they are worth. All I want is to impress upon Government the absolute necessity of tackling fearlessly this great problem, which is in reality the pivot on which all other problems turn. If the Imperial Government would give a few lakhs every year out of its surpluses to the Local Governments, to deal with as they may think best in developing a sound system of rural finance, it would be indeed surprising if great good to our Indian Empire did not result.

"I now turn, my Lord, to the question of the separation of the Executive and Judicial functions. In my Budget Speech last year I ventured, my Lord, to touch upon this matter, which is regarded by a large and influential section in our community as a matter of the highest importance. What I said then I will, with Your Excellency's permission, repeat today. I ventured to remind Your Excellency's predecessor that the Government of India had since 1898 had before it a memorial signed by a number of distinguished Anglo-Indian officials, in which a prayer was made for the initiation of this reform and a number of weighty arguments advanced in its favour. So far as the public is aware, no reply has yet been given to that memorial. The reform is influentially advocated, and with it so acceptable to a large section of Indian public opinion

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that I trust I may be allowed to hope that Your Excellency may find the time to give the matter a favourable consideration. In the note of dissent which I appended to the report of the Indian Police Commission I took the liberty of indicating the methods in which, in my humble judgment, the reform can be carried out. It is proposed by no one that it shall be universally introduced throughout India, but we pray that its adoption may be sanctioned in certain carefully selected districts in more settled portions of Bengal, Madras and Bombay.

“Regarding the Calcutta Improvement Scheme, there is very little to be said this year. By next session we may look forward to have the matured proposals of Government before us, and I feel assured that the representatives of the various public bodies and associations will meet with every attention from Your Excellency.

“I have just one other matter to which I wish to refer.

“There was a question asked, my Lord, in the Bengal Council not long ago regarding the bunding of the open space of the Gorai River, which appears to me to open up a question of extreme public importance; and I should like to be allowed to dwell upon it for a moment. The extension of Railway enterprise in Bengal has undoubtedly been of great utility, and eloquent testimony of public appreciation is rendered by the large number of those who take advantage of the facilities afforded; but the fact remains that there is a strong body of opinion that an enormous silent mortality has been the result of rising enterprise in Bengal, beginning with the construction of the East Indian Railway to Burdwan in 1856. It is held that malaria has been intensified in almost every deltaic district traversed by railways by the restriction to drainage caused by the heavy embankments and the neglect from economical resources to provide sufficient waterways for flood water. When Your Excellency's illustrious grandfather was Governor General, Burdwan was a health resort for Calcutta folks. Why has it now gained an unenviable reputation in exactly the opposite direction? There was a time when roads were considered a superfluity in Bengal. It was upon one occasion placed upon record by the Hon'ble Court of Directors that the development of commerce in the province and the convenience of the people were amply provided for by the many waterways to be found in all directions throughout the year. I do not ask Your Excellency to aid us to revert to the primitive conditions of travel which that despatch reveals, nor am I asserting that there is nothing to be said by way of refutation of the popular views that the establishment of every railway in the deltaic districts means increase of mortality from malaria. But there is no gainsaying the fact

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that that is the popular view : and I venture to suggest to Your Excellency the appointment of an expert to investigate the matter and to report if anything can be done. There has been a tendency, which I take leave to deprecate, to reduce expenditure on bridges by narrowing waterways to the utmost limits : and in some cases this had the effect of destroying their efficacy as means of transportation. There is plenty of room in Bengal for raisings and waterways to exist side by side, and there are many districts in Bengal where small rivers are still the best substitute for feeder roads.

"I now turn, my Lord, to a consideration of the Budget Statement which has been placed before us by my Hon'ble friend Mr. Baker. In certain quarters I observe that it has not received a welcome which might be described as altogether friendly. It has been pointed out, that Bengal's share in the distribution of the surplus has not been as adequate as the amount of her contributions to the public revenue entitles her to expect. I am free to confess, my Lord, that I should have been glad if the sums allotted to Bengal under the heads of relief to the agricultural tax-payer and of technical education had been larger. But I shall not upon that account forget to be grateful for what we in Bengal have managed to get : and, upon the whole, I think it may be said that the distribution of the surplus is such as to give general satisfaction. Three of the directions in which the surplus has been applied commend themselves to my humble judgment. The remission of the Patwari and Zamindari Dâk cesses is very welcome : and I venture to hold that the disappearance of these imposts will be viewed without regret by the Government no less by the individuals upon whom the burden of payment has fallen. The amount realized has never been large, and the difficulties of realization have been considerable. Again, in the direction of agricultural improvement, I am especially glad to see that it has been found possible to increase last year's grant by four lakhs. Nothing could be better, if I may say so : but I hope I shall not be deemed to be difficult to please if I repeat the note of regret which I sounded a moment ago, with respect to the disproportionate amount which has been allotted to Bengal, both as regards the grant for agricultural development and the grant for technical education. As regards the proposal to devote twenty-five lakhs for the purpose of police reform, I see that a Calcutta newspaper, whose comments are none the less valuable because of their independence of tone, remarks that Bengal asks for knowledge and is offered a policeman. And no doubt the people of the province would have been glad of a larger appropriation on account of education. But I am not myself sorry to see that the police are being given a turn. The reforms which have followed the report of the Police Commission do not run as fully upon the

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lines of the popular demand as I and others desired ; but we are not insensible of the important advance which it is proposed to make, and I for one should strongly deprecate any attempt upon financial grounds to starve these much-needed reforms or to hinder them from attaining complete development.

“ With these observations, my Lord, I shall ask leave to bring my remarks to a close. But I cannot conclude without offering my respectful congratulations to Your Excellency upon the handsome surplus with which Your Excellency's term of office is inaugurated. The circumstance is full of happy omen, and I venture to hope that every succeeding Budget will be as pleasing in its indications of prosperity and as gratifying in its disclosures as the present.

The Hon'ble MAJOR GENERAL SCOTT said :— “ My Lord, in reference to the Hon'ble Rai Sri Ram Bahadur's remarks on the non-purchase of socks of local manufacture, I should like to explain that it is the consistent policy of Government in the Military Supply Department to encourage in every possible way the local manufacture and supply of military stores. As an illustration of this I would refer to the recent expansion of our Ordnance Factories, by which last year a saving to the country of about 27 lakhs was effected after defraying all the expenses in connection with their maintenance. As a matter of fact, Government in the Military Supply Department is the largest Swadeshi institution in the country, and rightly so.

“ In regard to this question of socks, I wish to say that their local purchase was only discontinued in consequence of the serious complaints of their quality made by the troops who pay for the same out of their own pockets, and to the refusal of officers commanding regiments to take any more until the quality was improved. This resulted in a comparatively large stock being left on the hands of the Army Clothing Department which had to be disposed of at a loss. I can assure the Hon'ble Member that if Indian mills manufacture socks of a sufficiently good quality to satisfy the troops and at prices not higher than the imported article, the Army Clothing Department will place their orders with them.

“ There is only one other point in the Hon'ble Member's speech I should like to refer to, and it is that portion in which he speaks of the disastrous condition into which the artisan and industrial classes have fallen. I can only say that one of the great difficulties our Government factories have to contend with, and which I understand is shared by private industries, is that of obtaining skilled labour in sufficient quantity. In spite of the high wages prevailing, men are not forthcoming. I understand, however, that Government has appointed a commission to enquire into and report on the matter.”

The Hon'ble MR. HEWETT said :—" My Lord, the general results exhibited in the Financial Statement are very satisfactory from the point of view of the commerce of the country. The value of our trade for 1904-05 exceeded by more than 6 per cent. that of 1903-04, which was in turn 15 per cent. in excess of that of the previous year. In a period during which the seasons have been either bad or indifferent over wide tracts of country, it would not have been surprising had there been a serious decline in the aggregate value of our trade, which depends so much on their character and their effect on the agriculture of the country. It is satisfactory, then, to find that the returns of our trade for 1905-06 are higher than in any previous year except 1904-05. There has been a large falling-off in the imports of the precious and other metals, and a smaller decline in mineral oils, due, in the latter case, to the substitution of a local for an imported article ; but in other articles, especially piece-goods, cotton yarn and machinery, there has been a substantial advance. Although our Customs revenue is £39,100 below the estimate, it is still £358,600 more than it was two years ago. The decline in the export of wheat and seeds has been very great, but there has been a large increase in the amount of raw cotton, hides and raw jute exported, while the increase on the exports of cotton yarn, jute bags and cloth, and, to a lesser extent, of cotton piece-goods is also remarkable. The net result is that the falling-off in the total value of our exports has been insignificant. The enhanced income of our railways, the activity now being shown in the improvement of the different ports, and the increasing outturn of minerals, alike testify to the advance which is being made in the development of the resources of the country. The most satisfactory feature of the trade returns for the year is that the exports of manufactured articles, *i.e.*, cotton yarn, cotton goods and jute goods, are higher than they have ever been. The trade of India consists at present mainly of the exchange of natural products for artificial products of European manufacture. The manufactured goods which India obtains are necessarily, in the main, paid for by unmanufactured raw materials ; and the goods imported have often been worked up from the materials which she had exported in the raw state. These features represent a primitive stage in the system of international exchange which makes up the trade of the world. It is an assured fact that there is available in India the raw material requisite for almost every form of industry, and the idea that the country ought to be able to produce most of the manufactured articles which it requires is not one which its natural resources render utopian. People argue—and argue rightly—that these resources should be utilised for the benefit of India itself, and not for that of other countries. But when they go further, and contend

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that restrictions should be placed on the export of food-stuffs, they are advocating a policy which must have fatal results in a country that, whatever stage of development in industrial enterprise it may ultimately attain to, must ever remain essentially an agricultural one. The margin of profit on the export of produce such as wheat is close enough to make contraction of export certain whenever there is a serious rise in prices in India ; and the fact that the exports fell in the famine year of 1900-01 to 50,000 tons, while they rose in 1904-05 to over 43 million tons, demonstrates both the extent of the fluctuations and the automatic character of the check on exports which the relative level of prices in India, as compared with that on the large wheat markets of the world, affords. In view of the operation of this compensatory and absolutely automatic adjustment, it is, I think, difficult for any one to contend that the payment of 1,760 lakhs of rupees for the wheat exported last year did not benefit the cultivator, the buyer, and the taxpayer in India alike.

“ When the question of the manner in which our resources should be developed comes to be considered, opinion as to the lines on which we should proceed is not unanimous. Some argue that what is required for the industrial development of the country is the revival of the indigenous arts and manufactures of India, and reason that Indians have not the capital nor the requisite knowledge and experience to carry on successfully industries imported from Europe. There will be general sympathy with the advocates of the resuscitation of the ancient arts and industries of India, even though one may feel convinced that by this line of development alone India will never take the place in the commerce of the world to which her natural resources entitle her. But those who take the extreme view, to which I have just referred, seem to attribute to the people on whose behalf they speak a want of the qualities of self-help and self-reliance which I should be sorry to think had real existence. The decline of indigenous industries before the competition of the manufactures of Europe has been mainly due to the conditions under which they are carried on. They are on too small a scale to be commercially successful ; little capital is employed ; and the methods used are antiquated and unscientific. The revival of indigenous industries to the stage of prosperity which they reached, individually, in their palmiest days, would only aid in a very partial and incomplete manner the industrial development of a country the conditions of which have necessarily undergone a radical change since she was brought into intimate communication with the other nations of the world. The Government of India are, however, in full sympathy with those who are endeavouring to improve the state in which our indigenous industries are at present. Much information bearing on this subject has been collected in the Census Reports, and in Monographs which have been prepared on the different industries ; but the material

is scattered, there is no co-ordination of results, the subject is in general treated from the artistic point of view, rather than from a business standpoint, and the information is in many cases neither sufficiently detailed nor sufficiently exact to be of much practical use. The Madras Government have recently taken the lead in establishing what is practically a Government agency for the fostering and improving of Indian industries. The success which has been attained in developing the aluminium industry and the chrome leather industry by Mr. Chatterton is a good augury for further developments in the improvement of industries in the south of India. We hope that other Local Governments will now make a survey of the state of indigenous industries within the areas of their jurisdiction, with a view to ascertaining the exact state of the various industries and handicrafts, the amount of the earnings and the present condition of the artisans respectively employed in them, the precise manner in which the different industries have been affected by competition with imported articles, the practicability of creating new markets, or of developing markets which already exist, and the possibility of giving a new lease of life to these industries either by means of special instruction, or by the improvement of the appliances in use. It is not too much to hope that something tangible may be done to improve their efficiency and increase their scope by reorganizing them on modern lines. But while the Government of India sympathise with those who advocate the revival and improvement of indigenous industries in the country, they feel assured that the welfare and prosperity of India in its present stage of development cannot be secured by this means alone, and that the main line of its industrial progress must be the promotion and development of its industries and manufactures in accordance with the scientific methods and experience of Europe. They find themselves in complete agreement with the view expressed by His Highness the Gaekwar of Baroda at the Industrial Exhibition held at Ahmedabad in 1902, that those who are anxious for the development of the country should devote their attention more to the establishment of the larger industries involving an extensive use of machinery, since it is upon this that the increase of the wealth of the country must mainly depend. Development on these lines is also a matter of the highest importance from the point of view of our increasing population. Although our railways find employment for some 400,000 Indians, our jute and cotton mills for about 330,000, the tea industry for 660,000 and the coal mines for 100,000, the aggregate number of those employed in the more modern forms of industrial enterprises is as yet but an insignificant fraction of the total population of the country. The Hon'ble Mr. Sri Ram has, however, in my judgment, very seriously overstated the case in describing

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the labouring classes as being in a chronic state of poverty hardly raised above the point of starvation. The information before the Government is that the demand for labour, and for well paid labour, is much in excess of the numbers ready to resort to it. I can corroborate what the Hon'ble Major General Scott has said about the difficulty of obtaining labour, for everywhere the cry is for more labourers: more are required on railways, irrigation works, docks, mineral enterprises, especially mining for coal and manganese, cotton mills, jute mills, and in fact for practically every form of enterprise in the country. The Hon'ble Member is perhaps aware that during the past year we have had to make special inquiries as to the shortness of labour for industrial concerns in the United Provinces and Bengal. The avenues of employment are not few, but the difficulty of inducing people to enter them is immense. It will appear remarkable that this should be the case when Oudh has a population of nearly 550 to the square mile, while many individual districts in the United Provinces and Bengal are still more seriously congested. The fact is that the Indian labourer is still essentially an agriculturist: his heart is in the village, not in the factory or the mine; and his reluctance to leave his home often proves too inveterate to allow him to go away to seek his fortune elsewhere. The diversion of a substantial proportion of the population from agricultural to industrial pursuits is still an ideal the realisation of which cannot be looked for in the near future; but it is in this process that the salvation of the country must lie. There is this much cause for congratulation, that, small though it be at present, the industrial population of the country has rapidly increased during the past decade, and with increased openings for employment, and a change in the attitude of the labouring population, it may be hoped that it will increase much more rapidly in the next.

“Some contend that the revival of Indian industries, and the establishment of industries worked on European methods but with Indian capital, must necessarily involve some displacement of British industry and British capital. There is no foundation for this contention. India is in need of as much capital as is likely to be furnished for her development, whether it comes from within her own boundaries or is introduced from other countries; but no one who has her welfare at heart can look round with feelings other than of regret and see that the Indian community have hitherto, speaking generally, not shown any alacrity to put their capital into manufacturing enterprises, even when their soundness and productiveness have been practically demonstrated. There is no lack of capital in the country for immediate requirements, and in this connection it may be mentioned, as a striking fact, that in the past five years India has absorbed no

less than 50 million pounds worth of the precious metals. But the capital which exists is frequently not available; it is scattered and disorganized; and it is largely employed in traditional methods and for unproductive purposes. The first requirement necessary for the material advancement of the country is the development of a more liberal spirit among the people themselves, and the inauguration of a system for the active utilisation of any idle capital they may have. The Government of India welcome the awakening of interest in this very important question which was evident in the discussions at the recent Industrial Conference at Benares.

"It is the fashion sometimes to place the blame for the present state of affairs on the Government for not having provided the necessary opportunities in the way of technical education. The difficulty, however, has been not so much that there has been no opportunity for obtaining education of a technical character, as that students were, in the absence of industries in which they could obtain employment, ready enough to attend technical institutions and to enjoy scholarships there, but preferred careers other than industrial ones so soon as their school days were over. It is to be hoped that this reproach will cease to be deserved. We now have students holding Government scholarships in mining, geology, agriculture and textile industries at institutions in Europe and elsewhere, and we are allotting $2\frac{1}{2}$ lakhs in the coming and successive years to certain Local Governments for expenditure on technical education, in the manner described in the Financial Statement. There is, I venture to think, no question that the provision which the State has made for instruction of a practical character is at least equal to, if it is not in advance of, the demand that exists for it.

"With reference to what I have previously said upon the desirability of encouraging local industries on European methods, I may mention that the most important matter which the Commerce and Industry Department has recently had to consider is that of the establishment of an iron and steel industry on a scientific basis. The scheme owes its inception to the far-sighted views of the late Mr. J. N. Tata, who was undoubtedly the pioneer among Indians in the scientific organisation of industries, and whose name will be associated for all time with the establishment of the Tata Institute for research. The Government of India have taken the liveliest interest in the late Mr. Tata's project, and they have determined to encourage it by making certain concessions which were asked for by Messrs. Tata and Sons. It is proposed to locate the works at Sini on the Bengal-Nagpur Railway, and to bring the iron ore from a hill situated some fifty miles from the railway in the Mourbhanj State. The Government have agreed to construct a railway from

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the hill to the main line; they have arranged with the Bengal-Nagpur Railway that the freight on raw materials required for the works shall be reduced to one-fifteenth of a pie per maund, and that this rate shall also apply in the case of the manufactured products sent to Calcutta for export. They have also engaged to take, for a term of ten years, 20,000 tons of steel rails each year, provided that they are rolled to the required standard and supplied at a cost not exceeding that which would be incurred in importing rails of the same quality. The Government of India have every hope that this venture will result in success, and though they have limited their custom to a term of ten years in the first instance, this indicates no intention on their part of abandoning the purchase of rails at the conclusion of this period, provided that the conditions as regards quality and price are fulfilled. They have also no doubt that, if steel rails and other articles of good quality are rolled at the works, the demand for them will be great not only among the Departments of Government, but also among the railway companies and the public generally. The establishment of an iron and steel industry on a large scale will not only enable the Government and the public to purchase many steel articles of local manufacture which are now imported, but will also help to develop subsidiary industries, particularly those for the production of coal-tar and sulphate of ammonia, for both of which a ready market can be found in India. I think I may claim that the Government have, in the assistance they have promised to give to this very important project, given a practical proof of their desire to encourage local enterprise; and I may also point to the recent Resolution issued on the appointment of the Stores Committee as evidence of our wish to give every encouragement to products of local manufacture. We have expressed our recognition of the fact that local industries must frequently lean, to some extent, in the first instance, on the support of Government, and it is our intention to insist that whenever an article required by Government can be produced in this country of the same quality and at the same price as the imported article can be laid down in India the preference shall be given to the locally produced article.

“I have mentioned, my Lord, the activity now being shown in the development of our more important ports. The statistics showing the volume of traffic demonstrate, in a striking manner, the rapid expansion of the trade of the country. The value of the goods passing through the ports of Calcutta, Bombay, Rangoon, and Karachi has increased by 37, 17, 75, and 152 *per cent.* respectively during the past decade (1895-96—1904-05), while the tonnage of the vessels entered at these ports has increased, during this period, by 86, 40, 82, and 128 *per cent.* The

Local Governments, and the port authorities, are fully aware of the importance of anticipating the probable requirements of trade ; at Bombay a comprehensive scheme for the improvement of the port has been prepared, and is now being carried out ; the Port Commissioners of Karachi have also taken up the question of the arrangements to be made in order to enable them to cope with the large and increasing traffic which the success of the Punjab Canal Colonies has brought to that port ; and similar activity has been displayed at Rangoon, where various projects, forming part of a general scheme for the improvement of the port, have already been carried out. Complaints have recently been made as to the inadequacy of the present arrangements at Calcutta ; and doubts have been expressed as to whether the Port Commissioners fully appreciate the necessity for providing facilities adequate to the demands which will certainly be made upon their resources in the near future. These doubts are not indeed shared by the Chamber of Commerce ; and I have no reason to believe that they are in fact well founded. But, in view of the great importance of the subject, we have invited the attention of the Government of Bengal to the matter, and have suggested that the Commissioners should be called upon to prepare a scheme for the improvement of the port, calculated to provide adequately for the probable development of trade over a reasonably long period.

“ Since the Department was constituted in March last, India has entered into, or adhered to, several important commercial Conventions. As a result of repeated representations, the Government of Japan has concluded a Convention with this country, securing reciprocal most-favoured-nation treatment. It was found that, under the general tariff, Indian indigo entering Japan was subject to a rate of duty which still further increased the differential advantage already enjoyed in that country by the synthetic dye ; and it became clear that the Japanese market would soon be entirely lost to India unless some reduction in this excessive tariff rate could be obtained. This was secured under the Convention, but further efforts which were made to obtain for Indian indigo additional advantages, with the object of placing it in a stronger position to meet the ever-increasing competition of the artificial dye, have proved infructuous. In view of the widely varying duties leviable under the Japanese general and convention tariffs, the conclusion of the Convention will, it is anticipated, prove of considerable value in fostering trade between India and Japan. In the case of the Bulgarian treaty also, certain important concessions were obtained in the course of the negotiations. Jute sacks intended for the export of cereals will be admitted into Bulgaria free of duty, the duties on rice and jute fabrics have been reduced to approximately half the rates which were at first suggested, and

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the tariff for cotton yarns has been considerably reduced. The Treaty secures reciprocal most-favoured-nation treatment. India has adhered to the commercial treaty concluded between the United Kingdom and Switzerland, and in that case also substantial concessions were obtained during the course of the discussions. The rate of duty finally adopted for cleaned rice is half that originally proposed; and the tariff on indigo has also been reduced by half, although our request for a fiscal discrimination between the natural and the artificial dye was rejected.

“ Last year, I explained the genesis of the proposal to create an Imperial Customs Service for India, which will be entrusted with the administration of the customs at all the more important ports. Owing to the necessity for a further reference to the Secretary of State regarding certain minor points, the inauguration of the new Service was considerably delayed; but all preliminaries have now been settled, and members of the new Service have already been appointed to the ports of Calcutta, Bombay and Rangoon. Save in the case of a limited number of appointments, the scheme can only be brought into operation as vacancies occur in the existing establishment; but the nucleus of the new Service has now been formed, and we are confident that it will do much to facilitate business, to introduce uniformity of practice at the various ports, and to place the administration of the customs upon a satisfactory and consistent basis.

“ The concessions that have been made since the last Financial Statement was presented, with the object of improving facilities in postal and telegraphic business, have been appreciated by the public. The result of the various reductions made in postal charges has been that the normal annual increase of revenue has been swallowed up by the cost of the concessions made. As I stated last year, the increase of the weight to be carried for half-an-anna from $\frac{1}{2}$ to $\frac{3}{4}$ tola was regarded by the Government of India as a step towards the ultimate raising of the weight to be carried for half-an-anna to 1 tola, and of that to be carried for one anna from $1\frac{1}{2}$ to 2 tolas. I am able to say that, should the revenue from the Post Office increase during the coming year in the same ratio as it has in recent years, and should the financial position remain otherwise satisfactory, we hope to recommend to the Secretary of State that this reform, which will, it is estimated, cost between 13 and 14 lakhs of rupees, may be carried into effect in the financial year 1907-1908. It is not, I am afraid, possible to hold out any hope that the further reduction suggested by the Hon'ble Mr. Sri Ram can be carried out. The present half-anna rate of letter postage is one of the lowest in the world, and its existence has necessitated the adoption of a quarter-anna rate of postage for postcards, which is actually the lowest in the

world. It may be necessary to consider whether in reviewing the net financial results in future we should not combine the results of both the Postal and Telegraph Departments, but this is a matter which has not been so far investigated. Sir Arthur Fanshawe, who has presided over the Postal Department for 17 years, is about to sever his connection with the post of Director-General. There is no branch of the Department on which he will not leave the impress of his zeal and ability, and I gladly take this opportunity of saying that his services are much appreciated by the Government of India, as they are also, the Government believe, by the public generally.

“The reductions in the cost of internal telegraphic messages have resulted in a large increase in the traffic. During the period from 1st July to 31st December the number of four-anna private telegrams increased by 65 per cent., while the percentage of telegrams of this class to the total number of deferred telegrams increased during the same period from 33 to 46 per cent. These figures afford eloquent testimony to the popularity of our cheap telegrams. The reduction effected from 1st August last in the cost of ordinary telegrams between India and Europe from 2s. 6d. to 2 shillings a word has not so far resulted in a material increase in the traffic; but traffic will doubtless respond in time to the reduction. The Press rate, in spite of the efforts of the Government of India to secure its reduction to eight pence, remains at a shilling a word, and I am afraid that no hopes can be held out that the companies will, for the present grant any further reduction.

“The question whether the Postal and Telegraph Departments should be amalgamated has for some time been under the consideration of the Government of India. Amalgamation in some form or another has been carried out in a large number of the States of Europe. We have had the conditions under which these Departments are administered in the more important of these States examined by an officer deputed to Europe for the purpose. He has obtained much useful information, which has received our earnest attention. We are of opinion that amalgamation can only be justified if it can be shown that it will result in a financial saving without loss of efficiency or will secure increased efficiency with a similar standard of expenditure. The enquiries which have been made tend to show that some economy must result if both Departments be brought under one Director General and if an arrangement be made under which the management of traffic would be entrusted to one set of officials, while the management of the scientific and technical work of the Department would be under the control of another set of officials, namely, the engineers. In determining whether the change would tend to increased efficiency there is

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more than one aspect of the question which requires the most careful consideration. At the present time the organization of the two Departments is entirely different, and it would be absolutely impossible to amalgamate them without a radical change in the Telegraph Department. Moreover, the conditions in this country differ from those in most countries in Europe in which amalgamation has been effected: the operations of both Departments are conducted over vast areas, a circumstance which in itself furnishes an argument against too great centralization of authority; while the work of the Director General of the Post Office in India is already of a most exhausting character, and tends year by year to increase. I have great doubts as to whether it would be possible to impose upon that officer the duty of supervising the Telegraph Department, even in a general way, in addition to the work of his own special Department. Another obstacle to amalgamation seems to be that, in a country where the rank and file of both the Postal and Telegraph Departments are imperfectly educated, and where the development of both Departments on independent lines has already proceeded for so many years, the dislocation which would at first result from a change would be far greater than that experienced in the majority of European countries. It seems then very doubtful whether the amalgamation of the two Departments would under the circumstances be a measure of practical reform. Since they have been placed under the same Department of the Government of India, considerable progress in the work of co-ordination between them has been effected. This process will, we hope, continue, and, so far as one is able to judge at the present stage, it will be in this direction, and by steadily enforcing the principle that post and telegraph offices should be combined, wherever possible, that the development of the two services will proceed. Our enquiries have, however, led us to the opinion to that an internal reorganization of the Telegraph Department may be desirable in order to relieve the Director General of the mass of details with which he is at present burdened, by entrusting greater responsibility to the intermediate officers. The former will, if such a scheme can be devised, be in a position to devote more time to the more serious problems of administration, while the devolution of authority will enable the latter to deal more efficiently and more promptly with the complaints and representations of the public.

“The memorandum by the Railway Board attached to the Financial Statement gives in a small compass the most important facts connected with our programme of railway administration for the coming year. Last year the allotment of 1,250 lakhs for the railway programme marked a material advance in the allotment of funds for the improvement and extension of our railway

system. The sum allotted during the coming year amounts to 1,500 lakhs. Of this sum 891 lakhs are allotted to open lines, 539 lakhs to lines already under construction, and 70 lakhs to lines which are to be commenced during the year. The table on page 1 of the Railway Board's memorandum is instructive. Our annual expenditure on the Railway programme has risen in five years by over 66 per cent., and the expenditure which we propose on open lines in the coming year is more than the total expenditure on all lines in 1901-02, and about 150 per cent. higher than the expenditure on open lines in that year. With the remarkable development of the internal resources of the country that has taken place in the last few years, the claims of the open lines for improvement, and especially for the addition of rolling stock, have become more and more urgent. I trust that the Hon'ble Mr. Apcar will be satisfied that the Government has not ignored the need for increasing the rolling stock when I assure him that it has in the past five years devoted about 12 crores to this object. The Railway Board have noticed how the equipment of a railway company with rolling-stock adequate to meet all traffic demands at all times is inconsistent with its management on commercial principles. But there is no doubt, on the other hand, that the Board are right in their opinion that the standard of rolling-stock on Indian railways generally is below what the trade of the country demands. The Railway Board and the Government of India will do all they can with the resources at their command to remedy this defect, but it has to be remembered that the amount of capital that can be provided for the improvement of our railway system is not unlimited, and that the process of increasing the rolling stock must necessarily be more gradual than we could wish.

“ The public will read with interest the Railway Board's remarks regarding the conditions under which third class passengers travel. In the last twenty years the number of third class passengers travelling during the year has risen from about 70 millions to over 200 millions. This section of the travelling public is out of all proportion the most profitable to the railways. The Government of India, as stated during the discussion of the last Financial Statement, attach great importance to the improvement of the arrangements made for their comfort on the railways, and it is gratifying to learn that this matter is now receiving the earnest attention of the railway administrations. It must, however, be apparent to any traveller that the arrangements for the comfort and convenience of the third class passenger are still very often far from what they should be, and the need for further improvement will continue to be pressed by the Railway Board and the Government.

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"I should like, my Lord, to say a few words on one or two matters connected with railway administration which are of special interest to the mercantile community. They are:—the uniform classification of goods and the simplification of railway tariffs; the question of minima rates; that of a more simple procedure than is provided by the Indian Railways Act for the settlement of disputes between the public and the administrations; and the terms of the risk note to be used on our railways.

"The existing system, under which each railway has its separate classification of goods, often of too elaborate a character, and a separate scale of rates on the portion of its journey for which a consignment has to proceed over its own line, leads to uncertainty on the part of the public and great waste of time, and tends to hamper trade. The Indian Railway Conference Association have appointed a Committee to consider the lines on which change should proceed, and it is to be hoped that they will be able to devise a workable scheme for the simplification of the goods tariff, a reform which is, in the opinion alike of the public and the Government, a crying need. The matter is one requiring a considerable examination of details, and will of necessity occupy some time before completion.

"Where powers have been reserved to the State under the contracts with the different Railway Companies, certain maxima and minima rates have been fixed, each railway being free to vary its rates within these limits. The imposition of minima rates was necessary to prevent guaranteed companies from arranging their freights without regard to the interests of the State which guarantees them interest, and which has the largest stake in the undertakings, and the abolition of a minimum would unquestionably lead to internecine competition such as led to disastrous results in America and caused serious complications in Great Britain. Permission has recently been sought by the East Indian Railway to reduce the rates in force on its system below the fixed minima on the ground that its natural advantages enable it to carry long distance traffic at rates which are below the minima and below those which would pay other companies. This representation has received the support of the Bengal Chamber of Commerce and other mercantile opinion in Calcutta. It has been urged in favour of the proposal that freight charges should bear some relation to the cost of working of each railway system. It has also been contended that the present system leads to the deflection to the Western ports of both import and export trade from the port of Calcutta, the natural advantages of which entitle it, it is urged, to cheap inland transport. It is stated that the maintenance or reduction of the present rates of freight on wheat and seeds might be the factor

to determine whether India or some other country should supply the markets in which she has to compete with foreign countries. On the other hand, the mercantile community of Western India contend that while the reduction of minima rates generally is a measure which should be supported, it would not be fair to allow one railway to have lower minima rates than another. It will be understood that the proposal before Government does not provide for any general lowering of rates on the East Indian system. Reductions are contemplated only at the competitive points, and with the avowed object of taking traffic away from other lines, and it cannot be presumed that the result of these operations would have any stimulating effect on the total production of the competitive zone inasmuch as no proof has been afforded that the diversion of trade to Calcutta would cheapen the total cost of transport to the markets of the world. The proposition that each railway system should be allowed to carry traffic at rates consistent with a fair return on its capital, and no more, is, at first sight, reasonable; but the principle on which it is based could not be carried out in practice. The receipts of individual railway systems vary much from year to year according to the character of the seasons and the briskness of particular branches of trade. It would therefore be quite impracticable to fix, except for the very shortest periods, rates of freight based on the principle that freights must be adjusted so as to secure an approximately even return on capital, and any attempt in this direction must result in an infraction of the generally accepted proposition that rates should be kept as steady as possible. Moreover, the State is responsible that the railway systems, in which the Indian taxpayer is either immediately or prospectively interested to the extent of some 250 million pounds, are worked so as to secure a reasonable return on the total capital invested in them. The reduction of the minima rates on the East Indian Railway alone would involve the transfer to that line, at the expense of other lines, of traffic which would be conveyed at a lower cost, and a consequent reduction of the general income of our railway systems without a demonstrable increase of the general volume of our internal trade. Nor can the argument, that the reduction of railway freights would lead to Indian produce being landed cheaper in markets in which India has to meet foreign countries in competition, be legitimately advanced in favour of the reduction of rates on the East Indian Railway alone in order to benefit only one of our ports. These reasons are, in the opinion of the Government of India, convincing against the proposal of the East Indian Railway Company that it should be allowed to reduce its minima rates below those to be enforced on other railway systems.

"It will be remembered that in September last the minima rates at which coal can be carried over distances beyond a certain length were reduced.

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The East Indian Railway has not as yet availed itself of the opportunity of reducing its rates for the carriage of coal to the minima rates then brought into force and is, it is understood, unwilling to do so until the grand chord line is opened ; nor is its traffic generally carried at the lowest rates already permitted. One may fairly infer from these facts that that Company agrees with the Bengal Chamber of Commerce in holding that a general reduction of minima rates is undesirable, although a good deal of support might be found for this measure on the ground that it may be expected to lead to the expansion of trade and also to the reduction of the price of Indian produce in the markets of the world. This question is, however, a large one which cannot be determined without detailed enquiry as to the manner in which the present minima rates operate and the effect that a reduction would be likely to produce upon the returns from our railway systems. That inquiry the Government of India will now direct the Railway Board to undertake.

“Our present Railway Act contains provision for the determination of differences regarding through rates and traffic facilities generally by the appointment of Railway Commissions. Complaints have been made that the process prescribed by the Act is an expensive one, and that it does not give authority to all persons interested to make applications for the appointment of a Railway Commission. Support is given to these complaints by the fact that no such Commission has been appointed during the fifteen years for which the law has been in force. The matter has recently been under the consideration of the Government of India, who now propose to recommend to the Secretary of State that the law should be amended so as to give to the Railway Board powers corresponding to those exercised by the Board of Trade under the Railway and Canal Traffic Acts in force in Great Britain, and to confer on individuals and public and commercial bodies the right to seek the assistance of the Railway Board and Railway Commissions in questions relating to traffic. The results of the proceedings of the Railway Board will be recorded for the information of the Government of India, but, like the Board of Trade, they will have power to act as a Board of Conciliation only. The only final and binding award will still be, as in England, that of a Railway Commission, to which, however, no one will be entitled to apply for a through rate until he has first made a complaint to the Board and the Board have disposed of it. The Government of India trust that the exercise of these powers of conciliation by the Railway Board will result in a great portion of the disputes as regards through rates and unfair treatment being amicably settled.

“In his Report on Indian Railways Mr. Robertson observed that the conditions hitherto attached to the risk notes in use on Indian railways are of a

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very onerous nature. In the first place, railways are exempted from all liability as regards loss or damage to the property while in transit which they could not have prevented with due care ; and, in the second, they are not held responsible for the wilful acts of their servants. Now there can be no question that the present form of risk note is irksome, not only to the mercantile community, but also to all classes of the public ; and the question of amending it has been for some time before the Railway Board and the Government. Under the Railway Act the risk note in use on a railway administration has to be in a form approved by the Government of India, but we are advised by our legal advisers that the law does not empower us to prescribe a form of risk note which the railway companies would be bound to accept. The Railway Board do not consider that it is possible to obtain acceptance by the railways of a form of risk note of a more liberal character than that adopted by the Railway Conference of 1904 which, though an improvement on the present form, still gives special protection to the railways, except for the loss of a complete consignment, or of one or more complete packages of a consignment, due to the wilful neglect of the railway administration. To my mind this is an unsatisfactory conclusion, but in the present state of the law it is impossible to arrive at any other. I can only hope that further consideration of the matter by the railway companies will lead to a proposal to assimilate their risk notes more closely to those in force in England. I am led to believe that this hope may not be vain by the facts that at the Railway Conference of 1904 there was a strong minority of representatives of the various Railway Companies in favour of a more liberal form of risk note, and that when a Resolution to this effect was proposed at the Conference of the Indian and Ceylon Chambers of Commerce held in Calcutta last year it was not opposed by the Agents of the three lines which centre in Calcutta, all of whom were present at the meeting.

“The Hon’ble Sir Denzil Ibbetson will, I believe, make some remarks upon inland navigation, to which the Hon’ble the Maharaja of Darbhanga has referred, and all that I need say upon this subject is that the Railway Board recognize no antagonism between railways and our splendid inland waterways, and that the Commerce and Industry Department, like the mercantile community, regards the improvement and development of the latter as of very material importance to the interests of commerce.”

The Hon’ble SIR DENZIL IBBETSON said:—“My Lord, in placing the Financial Statement before the Council last Wednesday, my Hon’ble Colleague in charge of the Finance Department alluded very briefly to the climatic conditions which have led to a reduction of over 50 lakhs in

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the Land Revenue entries in the Budget of the current year, to an allowance for suspensions and remissions of land revenue during that and the coming year amounting, in two provinces alone, to nearly $2\frac{1}{2}$ crores, and to the provision, during the same two years, of over a crore for expenditure upon famine relief. The distress from which parts of India are now suffering is, I am glad to say, not comparable, either in dimensions or in intensity, with that which prevailed in 1896-97 or in 1899-1900; and it has not been thought necessary, as on those occasions, to make a separate Famine Statement in Council; but I propose to preface my remarks today by a brief account of the position as it now stands, and of the prospects for the approaching season.

“The shortage of crops in certain parts of India has led to a general rise of prices which, even where the harvests have been fairly good, has caused some hardship to the poorer classes. But the areas in which serious distress exists are at present confined to two tracts; the first lying immediately to the south-west of a line drawn from Amballa to Allahabad, and embracing the south-eastern districts of the Punjab, the south-western districts of the United Provinces, and the northern States of Rajputana and Central India; and the second comprising the Deccan and Karnatak districts of Bombay.

“Although five of the Punjab districts have suffered from a failure of the rainfall of last monsoon and from the delay in the arrival of the usual cold weather rains, the ample rain that fell in February has so relieved the situation that famine relief is required in one district only, where an area of 930 square miles with a population of 320,000 is affected, and there are now some 10,000 persons on relief. It is not expected that relief works will be required in any other district of the Punjab, but in all the five south-eastern districts liberal suspensions of revenue amounting to 14 lakhs of rupees have already been granted, and it is anticipated that further suspensions of some 10 lakhs will be required. Arrangements are also being made to grant advances aggregating about 4 lakhs of rupees.

“The United Provinces had already suffered severely from the unprecedented frosts of last February, which destroyed the hopes of a bumper harvest throughout a great portion of the Province. This led to a serious rise in prices, but the distress was sufficiently met by very liberal remissions of the rabi land revenue, amounting to $37\frac{1}{2}$ lakhs of rupees. The frost, however, was followed by a serious deficiency in the monsoon rainfall in Bundelkhand and parts of the Agra Division, where the kharif crop on unirrigated land was a virtual

failure. In these areas the cold weather rains have also been unfavourable and the unirrigated rabi crop very poor. It has therefore become necessary to declare that famine conditions exist in the whole of four districts and in portions of three others, comprising in all an area of nearly 10,000 square miles with a population of over 3 millions. In the affected districts 10 lakhs of rupees of the kharif demand have been suspended or remitted, and advances to the amount of nearly 7 lakhs have been made. Relief operations have been started, and there are now 160,000 persons on relief in the United Provinces. Notwithstanding the favourable rains of February, which have materially relieved the situation throughout the greater part of the province and have already led to a fall in prices, it will be necessary to grant liberal suspensions of land revenue in the rabi instalment, and preparations are being made for large advances on the approach of the monsoon.

“In the northern and eastern states of Rajputana and the British districts of Ajmer-Merwara that lie within them, the drought has been more severe. The whole area of Ajmer-Merwara, with a population of nearly half a million, has been suffering from famine for some months past. The outturn of the kharif harvest was exceedingly poor, while the cold weather rainfall has been much less favourable than in the Punjab and the United Provinces. Preparations to meet the distress were made in good time. Liberal suspensions were granted of the demand of last rabi, which also was a poor harvest in these districts, and two-thirds of the land revenue demand for the kharif has been suspended or remitted. Takavi advances to the amount of nearly a lakh and a half have been made and relief works have been opened on a liberal scale. According to the latest returns there were 56,000 persons on relief of all kinds, amounting to about an eighth of the population. In ten of the neighbouring States of Rajputana, famine conditions prevail in greater or less intensity over an area aggregating 34,000 square miles with a population of 5 millions; and although, in accordance with Rajputana custom, large numbers of the people have temporarily left their homes, and taken their cattle to Sind and Malwa and other districts where water and fodder are to be found, it has been necessary to undertake relief measures in most of these States and there are now 48,000 persons on relief. Much assistance has been derived from the construction of the Nagda-Muttra Railway, which passes through several of the distressed states, and where necessary loans of money and the services of officers have been granted by the Government of India to the Durbars. In the northern States of Central India also famine conditions prevail, the area affected being estimated at 18,000 square miles with a population of $2\frac{1}{2}$ millions. Here, too, the rainfall of the monsoon was very deficient and the winter rains have been poor, so that the loss

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in both the kharif and rabi harvests is very serious. The Chiefs of the affected States have granted liberal suspensions and remissions amounting to some 32 lakhs of rupees ; where necessary famine works have been opened ; and 80,000 persons are now on relief.

“ The affected area in Bombay comprises, either in whole or in part, eight districts in the Deccan and Karnatak which aggregate 25,000 square miles with a population of 4 millions. In the tracts which are most affected the rainfall of last monsoon was very deficient and badly distributed, and the outturn both of the kharif and of the rabi crops much below the normal. Prices have therefore risen to double the ordinary rates ; but fortunately the occurrence of fair harvests in parts of the territories of His Highness the Nizam, in the Berars, and in Khandesh where the cotton crop was particularly good, has afforded employment to large numbers who have left their homes in search of work, while the prosperity of the textile industry in Bombay has further provided an unusual amount of employment in the mills ; and it is roughly estimated that from 150,000 to 200,000 people have left the distressed districts and found employment elsewhere, so that notwithstanding the failure of the crops and the rise in prices, there has been little demand for relief work at famine wages and only some 40,000 people are at present on relief. The Bombay Government have met the scarcity by very liberal suspensions and remissions of land revenue amounting to 65 lakhs of rupees, or half the total demand. They have also suspended about 30 lakhs of arrears of land revenue and 26 lakhs of takavi, and have made liberal advances amounting to over 20 lakhs of rupees to enable the people to deepen their existing wells, to dig new ones, to make other small improvements, and to purchase fodder for their cattle.

“ A small area in the extreme west of the Kathiawar Peninsula belonging to the Baroda State with a population of 70,000 is also suffering, and here too liberal suspensions of land revenue and advances of takavi have been made and some 3,000 persons are on relief. Some portions of the Hyderabad State also are in a distressed condition and adequate measures have been taken, but the distress is not acute and the number of persons on relief is only 3,500.

“ To sum up, 18 British districts and 35 Native States are more or less affected by famine, the distressed area aggregating for the whole of India nearly 100,000 square miles, with a population of 16 millions, of whom half are in British and half in Native territory ; and the number at present on famine relief in all parts of India amounts to 400,000. One marked feature of the

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administration of the present famine is the liberality with which, both in British districts and Native States, land revenue has been suspended and remitted and advances made to help the people to meet the distress. The Famine Commission of 1900 laid great stress upon the importance of help of this description in the early stages of famine, as tending to put heart into the people; and the action thus taken has gone far to render the distress less acute and to postpone the appearance of famine conditions.

"In one respect we are better prepared to meet famine than on any previous occasion, in that the Famine Codes of all Provinces have recently been revised in accordance with the experience of the last two famines, and that the Native States have accepted the same general lines for their guidance. The revised Codes embody two new principles of great importance, namely, the abolition of the minimum wage, and selection for admission to village works; and, if famine was to come, it is fortunate that it should be possible to test the operation of these changes on a small scale, before they are acted on in presence of widespread calamity. Everywhere the arrangements made are adequate. Very little aimless wandering or emaciation is reported, the people even in the distressed tracts are physically in good condition, and there is nowhere any serious increase of mortality or crime. There is, however, in almost all parts of the affected area, a very serious dearth of fodder, and great difficulty is experienced in keeping the cattle alive. Such measures as are possible to save them have been undertaken. Reserved forests have been thrown open for grazing, arrangements have been made to supply grass and fodder on a large scale, and the chief railway administrations have reduced their charges for its transport by rail. It is to be feared, however, that there will still be considerable mortality among the cattle before the next rains replenish the local supply of fodder, and it will be necessary to make liberal advances to cultivators to enable them to replace their plough cattle.

"It is anticipated that when the rabi harvest has been reaped there will be a considerable increase in the number of persons seeking for relief, which will be maintained until the advent of the monsoon renders preparations for the autumn harvest possible, and arrangements have been made to meet the probable requirements of the situation.

"In January, 1900, when speaking upon the Famine Statement which I had just made to the Council, Lord Curzon said:—

'I should like to recognise the generosity with which Native States—and I am alluding more particularly to some of the States of Rajputana and Central India—have accepted

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from the Government of India an interpretation of their obligation in respect of scarcity and famine, more liberal and more exacting than has ever before, at any rate in those States, been applied. We have done our best to help them by the loan of officers, and by the offer of expert advice. But the Chiefs and Durbars have also helped themselves, and have worthily proved their right to the affection of their people.'

"These words, true as they were then, are even still more true on the present occasion; and I am sure, my Lord, that you will desire to associate yourself and the Government of India with me, when I cordially recognise the admirable spirit in which the Chiefs in whose territories distress is now present have realised their obligations, and have prepared to discharge them.

"The Hon'ble Mr. Gokhale has pressed upon us a liberal policy in the matter of Government loans for the relief of agricultural indebtedness. There are two distinct aspects of the question which must be considered separately; namely, the general relief of the indebtedness of agriculturists, great and small, throughout the country, and the relief of those special cases to meet which Encumbered Estates Acts are framed, where the object is to save from expropriation families of influence whom it is desirable on public grounds to maintain in the possession of the estates to which they owe that influence.

"I take the wider issue first. In the first place, the task is beyond our powers. It is true that the Hon'ble Member suggests an experiment only; and no doubt, if action were eventually to be taken on a large scale, it would be wise to begin experimentally. But the experiment would be made with the avowed intention of extending it, if successful, to the whole of India. Now, as the Hon'ble Member himself recognises, it would be out of the question to advance public money to satisfy the book claims of creditors without examination and equitable reduction of those claims; and such an examination of the agricultural indebtedness of India would be a stupendous work, for which we do not possess the necessary agency. Moreover, it would be of but small avail to relieve the agriculturist of his existing burdens, if we left him to accumulate new ones by a repetition of the old process; and the alternative is, either that we should forbid alienation—and I welcome my Hon'ble friend with open arms, as a distinguished, if tardy, convert to a course which I have advocated for so long, although I understand that he demands a price for his acquiescence,—or that we should undertake, to a very large extent, the financing of the agriculture of India—an operation to which any resources at our disposal, whether from revenue or from loans, would be wholly inadequate.

“ But if we cannot interfere with complete efficiency, then any interference on a considerable scale would do more harm than good. I find that the analogy which I am about to employ was used by Sir James Westland in the debate of 1896 to which the Hon’ble Mr. Gokhale referred us the other day ; but I may say that it occurred to me quite independently when thinking over his remarks. In times of famine, the Government of India have always steadfastly declined to attempt to supplement the food supplies of the country by Government importation of grain. It is true that Government could do more than any individual importer ; but it is equally true that it could do far less than the collective private enterprise of the country. And if Government were to step into the market as an importer on a large scale, its interference would paralyse individual, and thereby destroy collective, enterprise, the place of which it could never hope to supply efficiently. Exactly the same considerations hold good in the matter of agricultural finance ; and it was for this reason—it was out of consideration for the ultimate interests of the agriculturists, and not, as the Hon’ble Mr. Gokhale so incorrectly suggested the other day, out of ‘ tender solicitude for the interests of the money-lender ’—that Sir James Westland refused to hold out hopes of Government intervention on a large scale.

“ But if the cure of existing evils is beyond the power of Government, it is doing its best to prevent their repetition or aggravation. By making takavi advances on a scale which, though insignificant by comparison with the total needs of agriculture, is considerable in itself, it steadies the money-market, and tends to keep the interest demanded by private lenders within reasonable limits ; and only last November a resolution was published which impressed upon Local Governments the importance of greater liberality, elasticity, and simplicity in their takavi systems, while I hope shortly to ask the Council to assent to legislation designed to give them a freer hand in the matter than they now possess. Just two years ago an Act was passed which provided very exceptional facilities for the establishment by the people of co-operative societies ; since then the larger provinces have appointed whole-time officers whose duty it is to encourage and assist them in availing themselves of these facilities ; and I shall presently show that the results already obtained are encouraging. Finally we have under consideration at the present moment a scheme for the institution of an experimental agricultural bank, financed indeed by private capital ; but based upon a Government guarantee, which, if it should prove successful, will doubtless find imitators in other parts of India ; and if Indians will, as the Hon’ble Maharaja of Durbhanga seems to think they will, consent to employ a

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portion of the crores of capital which at present lie idle in this country, in the promotion of such ventures, a great step will have been taken towards the solution of the problem of agricultural finance.

“As for the case of estates which are of sufficient individual importance to render their preservation a matter of public interest, Government has never been backward, when special circumstances affecting whole classes of landholders have existed, in coming to their assistance; and large sums have been advanced to the Oudh taluqdars under the Act of 1870, to the Sindh zamindars under the Act of 1881, and to the landholders of Bundelkhand under the Acts of 1882 and 1903, to mention only instances which occur to my memory. But in the particular case with which we were dealing the other day, no difficulty is experienced in raising loans at the moderate interest of 6 per cent. from private sources on the security of official management, and there was clearly no case for the intervention of Government. In individual cases the Government of India have not always been able to comply with the proposals of Local Governments for advances. But in the very nature of things, they are generally cases where the liabilities are so heavy in comparison with the assets that no private lender will look at the security, and it is our duty to be careful of public money. If in regard to any particular estate I should be able to make out a good case for assistance, I do not anticipate that I should find my Hon'ble Finance Colleague obdurate in the matter.

“I referred just now to the subject of Co-operative Societies which so largely occupied the Council's attention some two years ago. They may like to know what progress has been made since then in the matter. It has been much more rapid than the Hon'ble Maharaja of Darbhanga seems to think; and, in my opinion, quite as rapid as is either wise or safe in the initial stage of what is admittedly an experiment. Up to date 465 societies have been actually registered, of which 439 are rural and 26 urban; and the total capital already accumulated is about 3 lakhs of rupees, of which more than one-half has been subscribed or deposited by members themselves. Our latest reports show that over half a lakh of rupees had at that time been actually advanced by Government to these societies; while the revised estimates contemplate an expenditure, during the expiring year, of Rs. 1,28,000 under this head. It is satisfactory to find that the principle of unlimited liability for rural societies, of which the Hon'ble Mr. Gokhale is, I think, unnecessarily afraid, has been adopted everywhere except in one province, and that even in that province hopes are entertained that it will ultimately be accepted by the people. There is not much inform-

ation in the reports regarding the purposes for which the societies already established have granted loans, nor are any general statistics available as to the average amount of each loan. But it appears that the people are on the whole in favour of loans for unproductive as well as for reproductive expenditure, and the information tends to show that the societies are fulfilling their purpose of providing small folk with small loans at cheap rates. The subject of grain banks has attracted some attention in Bengal and Bombay, but no societies working entirely on a grain basis have as yet been registered.

“Last year I sketched with some fulness the general lines which we proposed to follow in the expansion of our Agricultural and Veterinary Departments. It will now be sufficient to say that those lines have been generally accepted by Local Governments who have based detailed proposals upon them, and that the Secretary of State, for whose sanction the general scheme was submitted, has approved of it with certain reservations as to the desirability of caution in our advance, and as to the difficulty of obtaining at once the large number of experts for which we had indented. I may remark, in passing, that both the Secretary of State and the Government of India are entirely in accord with the Hon'ble Mr. Gokhale as to the desirability of training an indigenous agency, so far as this may be found possible. Meanwhile progress is being made with the purchase of land and the construction of the necessary buildings, and the expert staff is being gradually selected and appointed. Hon'ble Members will have seen that the recurring grant under this head which I announced last year, has this year been raised from 20 to 24 lakhs, and will, I hope, accept the fact as an assurance of our good intentions in a matter of such vital importance to the prosperity of the country. The demand for protective sera for the inoculation of animals has increased so greatly that we are proposing to establish a second laboratory for their preparation in Southern India. And those who are interested in such matters will have noticed the publication of the first Annual Report of our Agricultural Department, and the appearance of the first numbers of two new publications, *The Agricultural Journal of India* and *The Journal of Tropical Veterinary Science*, which will be edited by our scientific experts.

“At Pusa good progress has been made. The whole of the arable land has been brought under cultivation, and has now been prepared sufficiently to enable us to start tests preparatory to laying out permanent experimental plots. The pasture lands also have been permanently improved by eradicating poor grass and substituting good feeding grasses. The buildings are progressing rapidly, several being already completed, and it is hoped that the main Phipps' Labo-

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ratory will be ready early in 1907, when it will be possible to open the College. Meanwhile good temporary laboratories have been constructed, and Indian candidates are being trained in each special branch for employment under the Provincial Departments of Agriculture. The whole of the expert staff have been appointed, and all are now resident at Pusa except the Agri-Bacteriologist, whose services have been temporarily lent to the Government of Bengal for employment on Indigo Research Work.

“ The preliminary survey of the varieties of Indian cotton, to which I alluded last year as the necessary ground-work for any improvement on scientific lines, has been completed by the publication of Professor Gammie's *Indian Cottons*. Some progress has already been made in the ascertainment of the varieties best suited to particular tracts; and irrigation has been found to render possible the cultivation in the Deccan of the finer herbaceous cottons of Guzerat and the early sowing of improved varieties in the United Provinces. The trial of exotics has given excellent preliminary results in Sindh, where Egyptian cotton seems to grow well, and the area under it will this year reach 6,000 acres. It has yet to be seen whether continuous cultivation in Sindh will result in deterioration of the staple, but there are already grounds for hope that this will not be the case. I am told that careful selection of seed from plant to plant on Government farms has already resulted in improvement, which should shortly give some practical results: meanwhile the rougher and more general method of selection which I described last year is being continued, and promising reports have been received, particularly from the Punjab, Bombay, and the Central Provinces. The raising of new varieties by hybridization has been retarded in most provinces by want of expert staff, but Bombay has advanced considerably, and some selected hybrids are now being tested in the field with good promise of success. The tree cotton experiments have not yet yielded any definite result. The Syndicate to whose operations I referred last year has been unfortunate in the seasons; and the question of supplementing the grant of Rs. 45,000 which we have already made for its experimental work is under consideration. The British Cotton Growing Association have placed the sum of £10,000 at our disposal, to be spent as we think best during the next five years upon the extension and improvement of cotton-growing in India; and the Secretary of State has sanctioned the employment of a cotton expert on the Imperial staff, while Provincial Departments have opened several new farms in cotton tracts.

“ In connection with jute, interest has mainly centered upon two questions; the deterioration of the quality of the fibre, and the shortage of supply. All

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enquiry tends to show that the deterioration is mainly due to fraudulent watering, and the simplest and most effectual cure for both evils probably lies in the extension of cultivation. This is now being seriously taken up by the Department of Agriculture of Eastern Bengal and Assam, and in Behar, while experimental trial of the crop is in progress in Madras, the Central Provinces and Bombay. A jute specialist has recently been appointed; and the co-operation of the commercial community in his inquiries will be cordially welcomed.

“As this is the sixth and will be the last time that I shall have the privilege of addressing the Council in connection with the Financial Statements, I should like to say a word upon a subject to which I have not hitherto had occasion to refer, but which is very closely connected with the agricultural interests of the country—I mean the Forest Department of India, for which my Hon’ble friend Mr. Sim has pleaded so eloquently—and the occasion is the more appropriate, since it was exactly fifty years ago last January that Dietrich Brandis, the father of scientific forestry in India, entered the service of Government. I doubt whether the general public realise the enormous actual and potential value of our forest property, the degree in which it already contributes to our revenues, and the success with which it is managed by the admirable service which is in charge of it.

“Twenty years ago the surplus revenue contributed by our forests to the public purse was a little over half-a-crore. The revised estimates for the year which is just expiring put it at a crore and-a-quarter. And this, in spite of the fact that all those measures for the ascertainment, development, and protection of our forests, which really represent capital expenditure upon the property, and which are not yet by any means complete, have been and still are paid for from revenue. The selection of forests for reservation or protection, their demarcation, the settlement of private rights in them, their protection from fire, the improvement of communications upon which the profitable extraction of timber depends, and the provision of accommodation for the officers in charge—all these represent non-recurring expenditure which has been met from current revenue ever since we first seriously undertook the management and protection of Indian forests, and which still absorbs a considerable portion of the gross income; and when these processes are complete, we may look for a still more marked expansion of the net surplus.

“But the question of forestry in India has aspects far more momentous than the mere money value of the timber which is produced. Upon the

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maintenance of our mountain forests depends the steady flow of the rivers from which our great irrigation canals draw their supplies, while the protection of our hill forests is often (as lamentable experience has taught us) the only safeguard against the devastation of the cultivated plains below them. With the increase of population and the bringing of hitherto unoccupied areas under cultivation, the demand for fuel and small timber is daily increasing; while if the Indian cultivator is ever persuaded to restore to his fields in the shape of manure a fair portion of what he takes from them in the form of fodder, that demand must expand enormously. Our forests, moreover, annually afford grazing to great numbers of the cattle upon which agriculture is dependent, while in time of drought, such as the present, they constitute invaluable reserves of grass. During the year which is just over, the Secretary of State has sanctioned proposals for the expansion and improved remuneration of the higher grades of the Forest Service, and we have under consideration similar proposals in connection with the executive grades, and with the reorganisation of the Provincial Service, and of the school at which it is trained. We are also considering proposals for the establishment in connection with that school (which we propose to raise to the status of a college) of an Institute of Forest Research, which will place Forestry upon an equal footing, in respect of scientific enquiry and instruction, with Agriculture and Veterinary Science.

"During the year Indian standard time has been introduced on all Indian railways and telegraphs, thus bringing for the first time our local standards into simple and intelligible relationship with those of the rest of the civilised world. The new time has been accepted by the whole of India with the single exception of Calcutta; and I cannot believe that the capital of the empire will long continue to hold aloof from a reform of such obvious convenience.

"Before closing these remarks, I must mention two Resolutions which have been published within the last few months on the subjects of Remissions and Suspensions of Revenue in seasons of drought, and of takavi advances to agriculturists in need of loans. To the latter I have already alluded. The liberal principles laid down in the former have been readily accepted by Local Governments, who are revising their rules in order to give effect to them. We have recently addressed the Secretary of State on the subject of the exemption of improvements from assessment to land revenue, and as soon as his orders are received instructions will issue on the subject. These three Resolutions will complete the general review of our Land Revenue System which was undertaken during Lord Curzon's term of office, and I think that even the

sternest critics of that system will admit that much has been done during the past few years to define and make public the principles upon which it is based, to ensure leniency and liberality in their application, and to introduce elasticity into their operation.

“Turning now to the Department of Public Works, the most important event of the year has been the acceptance by the Government of India and the Secretary of State of the rough programme which was formulated by the Irrigation Commission as an approximate forecast of operations, and as the basis of our financial arrangements. The papers have been published; and Hon’ble Members will be aware that an expenditure of some 44 crores, or nearly thirty millions sterling, is contemplated within a period of twenty years, of which four-ninths may roughly speaking be said to be allotted to protective works, and will be provided from the moiety of the Famine Grant which is available for works of this character. This decision has a two-fold importance and significance. In the first place the principle is now for the first time definitely formulated and accepted, that it is not only legitimate but also our duty to spend very considerable sums from the general revenues upon works which will in all probability never be remunerative either directly or indirectly, but which will protect local areas and their inhabitants from the horrors of famine. And in the second place we now have, for the first time since the first Famine Commission reported in 1880, a programme, provisional no doubt, and liable to alteration as the examination of individual projects proceeds—but still a programme, however rough, based upon an examination by competent persons of the irrigational needs and possibilities of India as a whole, and upon the relative necessities of the several provinces. In each of these respects a great advance has been made, and the policy of the Government of India in respect of protective irrigation has now been definitely laid down for a generation at any rate.

“Meanwhile, as papers which were recently published will have shown the Council, good progress has been made in the examination of individual projects. Already, since the report of the Commission appeared, forty-three projects commanding over seven million, and designed to irrigate over three million acres, have received final sanction. But this is only part of the work which has been done. In those provinces in which it was needed, a hydraulic reconnaissance or stock-taking of irrigational possibilities is in progress; while numerous projects of greater or less importance are in an advanced stage of preparation. Among them is a protective work—the Tungabhadra scheme—which is the most costly irrigation project that has yet been framed in India, being

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estimated to cost some 12 crores of rupees, to irrigate annually nearly a million acres, and to afford protection in years of drought to another million. To enable us to deal promptly and effectively with these schemes, we have recently appointed a whole-time Inspector-General of Irrigation whose duty it will be to advise us in carrying into effect the enlarged programme which we have adopted.

“ But the duties of the new Inspector-General will not be confined strictly to irrigation matters. In January 1905 the Secretary of State and the Associated Chambers of Commerce of India almost simultaneously invited our attention to the potentialities of the natural waterways of the country, and especially of Bengal, and to the desirability of maintaining and improving this means of communication. Our attention was naturally first directed to the channels of the great Ganges-Brahmaputra delta, which traverse one of the richest portions of India, and which, while virtually forbidding transit by rail or road, afford unexampled facilities for transit by water. The subject had already been under the consideration of His Honour Sir Andrew Fraser, who is fully alive to its importance; it has been decided to examine it as a whole; and, especially since two separate Local Governments will now be intimately concerned in its development, the Inspector-General of Irrigation will advise us upon the general aspects of the matter. Three branches of it are at present receiving special attention. It is proposed to spend some 28 lakhs of rupees upon the improvement of the Madaripur Bhil route, upon which 11 lakhs had already been spent up to the end of 1903-04. And the Tolly's Nallah scheme and the improvement of the Bhagirathi route are now under detailed examination. These are large schemes, which naturally have the first claim upon our consideration. But I quite agree with the Hon'ble Maharaja of Darbhanga that the smaller channels also have their value as feeders; and I hope that they, in their turn, will receive the consideration that they deserve.

“ The improvement of the port of Chittagong has also occupied our attention, and the Government of India have contributed ten lakhs to the cost, and have thus fulfilled the promise of help from Imperial revenues which was made by Lord Curzon in February 1904. An expenditure of 8½ lakhs upon dredging plant and revetment has already been sanctioned, which will meet the more immediate requirements; and a complete estimate of the cost of the whole work to be done is now under preparation.

“ The Hon'ble Rai Bahadur Sri Ram will find the answer to his question about the admission of Indians to the Public Works Department as recruited in

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England, in the Supplement to the *Gazette of India* of the 15th July 1905. They are admissible up to a limit of ten per cent. of the total number recruited each year; and as the recruitment for 1907 has been fixed at 39, this means a substantial advance upon existing rules."

The Hon'ble SIR ARUNDEL ARUNDEL said:—"My Lord, there is one drawback to the liberal grants which the Hon'ble the Finance Member has fortunately been able to make to the different Local Governments for such special objects as police, agriculture, education, etc. It is that some Hon'ble Members are disposed to look reproachfully at the Government of India for not having given a great deal more to these and other objects, and to forget that it is to their own Local Government they should appeal which is in possession of large funds under the decentralized system of finance out of which all administrative expenditure should ordinarily be met. The Hon'ble Mr. Sri Ram frankly says that the subsidies in aid of the Government of India are 'doled out,' and laments that much more has not been given, though he cordially approves of the abolition of the patwari or village service cess which has absorbed so much of the available surplus, and which must obviously prevent the Finance Member from making further subsidies.

"The Hon'ble Mr. Porter strongly advocates grants from the Financial Department for the housing of police-officers. But from the outset of the discussions on the report of the Police Commission it has been recognised that the expenditure on police buildings is a purely provincial liability. I fully recognise that there is much to be done; but most Local Governments have now a *quasi*-permanent financial settlement, and it rests with them to apply their growing revenues to purposes of this kind. In the era of reform inaugurated by the Police Commission the Government of India have taken upon themselves much heavy recurring expenditure that is involved, and the initial charges remain for the Provincial Governments.

"With regard to plague I think the Hon'ble Mr. Porter somewhat overstates his case. It is not all kinds of sanitary reforms that affect the spread of plague, and the connection between plague and large drainage schemes is, I venture to think, remote. What does help against plague is paving and making minor drains, etc., of masonry, because these improvements help to exclude rats and prevent the soil from becoming infected. Building improvements that let in light and air are also admittedly beneficial by tending to destroy the bacillus. But it cannot be admitted that the Government of India should finance large schemes of municipal drainage because plague exists and may continue to

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spread. I of course do not wish it to be supposed that there may not be other reasons which might justify the Local Government in seeking help when necessary from the Government of India for large schemes of municipal improvement.

"The Hon'ble Mr. Porter and the Hon'ble Mr. Sri Ram lament the absence of special grants for hostels or for other objects connected with secondary education. The desirability of hostels for the youth of schools and colleges now universally recognised has assumed prominence only within the last few years. It was, I think, due to Dr. Miller of Madras, who took time by the forelock and erected a hostel for his college out of his private purse. The advantages of hostels are so great that Local Governments are recognising an obligation to endeavour to provide them. But the obligation is essentially Provincial. The matter is also one in which private liberality may fairly be expected to aid. A District Board or Municipality numbering among its members most of the local magnates is exactly the sort of body that might be expected to stimulate local munificence, and to persuade well-to-do neighbours that the founders of educational institutions build for themselves the most enduring of all monuments.

"I cordially sympathize with the Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca in his advocacy of improved educational facilities for the Mahomedan population of Eastern Bengal and Assam which he represents. I am confident that their needs will receive the fullest consideration from the Lieutenant-Governor, Sir Bamfylde Fuller.

"I understand the Hon'ble Mr. Gokhale to advocate universal free primary education throughout India. That would be a large order. The average monthly cost of a primary school is estimated to be Rs. 10. To increase this to Rs. 20 would cost over a crore of rupees even if not a single additional school were started.

"The first and greatest difficulty is money. The next is the reluctance of parents of the poorer classes to send their boys to a school and thus forego the value of their labour. In England it was found that the only way to surmount this difficulty was to make the education compulsory. In India we are many years distant from that consummation. But the hope and aspiration of the Hon'ble Member for universal free primary education is one that must meet with wide sympathy, and will be kept in view as the distant peak to be one day attained while the work of the present must be slow progress along the plain.

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"I am glad to see that the Hon'ble Sri Ram, though he takes a gloomy view of the agricultural labourers' condition, does not repeat the pessimistic statement that India is steadily growing poorer—a statement that no budget, however prosperous, and no increase of trade however great, avails to abate. If the yield of the taxes increases, it is urged that money is needlessly wrung from the poor; if the yield falls off, it can only be due to increasing poverty. Such pessimists will doubtless remain pessimists to the end.

"This is the last occasion on which I shall have the honour of addressing this Council, and I will take this opportunity of saying that an Indian experience of over forty years has compelled me to realize the great improvement that has been brought about in the condition of the raiyat and the agricultural labourer in the course of that time. Roads and railways have benefited them no less and indeed more than the rest of the community, for food can now be brought to them if crops fail, while high prices are realized by the export of abundant harvests. Formerly a single failure of the monsoon meant widespread famine: now it is usually but local scarcity which can be successfully combated by the administrative officers. And here I must emphatically dissent from the Hon'ble Mr. Gokhale's statement that 'the exhaustion of the soil is fast proceeding, the cropping is becoming more and more inferior, &c.' My experience as a Settlement Officer and as a Collector in no way bears this out. I heard privately a few weeks ago on the best authority that the crops of the district which I left nearly fourteen years ago were never more splendid than they are this year.

"The Hon'ble Mr. Sri Ram says 'the labouring classes are in a chronic state of poverty hardly raised above the point of starvation.' If poverty means the absence of a credit balance with the village money-lender, the statement may be correct. But avoiding statistics and speaking from actual experience, I may say that I was for five years Collector and Magistrate of a district, Kistna, 8,000 miles in extent and yielding 60 lakhs of land-revenue per annum, which I knew well, and to allege that the labouring classes there were hardly raised above the point of starvation is entirely incorrect. Very many of the raiyats had saved the money and were money-lenders themselves to their poorer neighbours. The labourers had work and food sufficient for themselves and their families at all ordinary times. Signs of prosperity among the raiyats appeared in the widespread substitution of tiled roofs for thatched; in the importation of large quantities of gold coins—largely French—for use as ornaments; and not least in the number of graduate pleaders who settled in various towns of the district and drew comfortable incomes derived from litigants who were chiefly agricultural. One infallible test could always be applied, namely, that the little children in the

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poorer hamlets were ordinarily well fed and were neither pinched nor emaciated. I do not recollect to have heard of any cases of death from actual starvation during my tenure of office in that district, though it is possible there may have been, and the poor-law guardians of many a large town in England, to say nothing of a whole county, would be glad if they could say the same."

His Excellency THE COMMANDER-IN-CHIEF said :—"My Lord, my Hon'ble Colleagues, the Maharaja of Darbhanga and Mr. Gokhale, have both raised the question of army expenditure, and the latter has reiterated many of the arguments and assertions which we have heard at each Budget debate during the three years I have had the honour of sitting at this table.

"The Maharaja of Darbhanga has asked :—'What is the use of alliances if we are not to take advantage of them?' But surely he must recognise that there are higher and more world-wide interests underlying our alliance with Japan than the mere pecuniary advantage to this country that he puts forward. It is, of course, evident that, owing to recent events, we have a breathing space in which to complete the precautionary measures which have been recognised to be indispensable. But that is no reason why we should abandon our efforts to remove obvious and acknowledged defects and deficiencies, or reduce our army below the standard that was considered necessary before any of these events occurred.

"I am glad, however, that this discussion has been raised ; as it gives me an opportunity of trying to place the matter of army expenditure before my Colleagues in a light in which it may not have been put to them before.

"I think it will be allowed that military expenditure must be considered from three broad standpoints :—

firstly, efficiency and sound organisation ;

secondly, economy in the expenditure of the funds voted for the army ;
and

thirdly, the strength of our forces, and the remuneration our men receive for their services.

"The time at our disposal is limited and I have no desire to encroach on your patience unnecessarily. But I should like to make a few remarks under these main heads which I trust will show my Hon'ble Colleagues that I unite with them in their desire to secure efficiency and economy in all matters—

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particularly military—and that I consider it would, of course, be unjustifiable to maintain any forces which can be proved to be superfluous for the necessities of this country.

“The Hon'ble Mr. Gokhale would prefer to rely entirely on what he terms ‘citizen-soldiership,’ framed on Japanese lines. From my short experience of this country and its inhabitants, I am not convinced that the people of India would welcome, with all his enthusiasm, the introduction of conscription, with rates of pay that would necessarily be very much lower than the soldier receives at present; and, if Mr. Gokhale does not mean this, I cannot follow his argument that ‘the present military burden will be largely reduced.’ I cannot help thinking, also, that it is possible that the martial spirit which he wishes to develop might have drawbacks to the class he most closely represents which my Hon'ble Colleague has not fully contemplated.

“Although both of my Colleagues object generally to military expenditure, I hardly think either of them would be satisfied unless the army of this country were maintained in as efficient a manner as possible. I feel sure also that they will agree with me that in all great industries it is the unquestionable duty of employers of labour to do all in their power to remove any deficiency or defect in their arrangements which might be productive of needless risk or danger to their dependents. It is a simple, rudimentary obligation in the relations between master and servant, which I feel sure no member of the community would attempt to challenge, and I think those who represent the mercantile communities of this country will admit that it is only a wise policy to prevent their workpeople being hampered by antiquated machinery or insufficient materials.

“Now there is a class of public servant which I think should not be excluded from equal consideration in this respect. It is a class of men of whom we are justly proud, who have brought much credit to the Empire and on whom we have to rely for the maintenance of peace and security in this country. I refer to the Army in India. It must be remembered that these men are prepared to give their lives freely for the integrity and honour of this country and have proved the fact in innumerable instances. If, then, the owner of a mine only does his duty in securing his employés from the obvious risks which surround them in the exercise of their calling—if he would rightly be convicted of a grave dereliction of such duty if he were not to protect them from the dangers of fire-damp, or were to send them down into the shafts in worn-out cages—surely a Government only fulfils an equally essential obliga-

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tion in endeavouring to protect its soldiers, who devote their lives to the State, from needless destruction, by giving them the means which are essential for the performance of their dangerous duties.

“ There is also another aspect of the case which I think will appeal to my Hon'ble Colleague.

“ We have recently had an example of how efficient organisation and preparation produce remarkable results in war. The Japanese prepared for possible eventualities, with the result that, when the time of trial came, they passed triumphantly through what everyone recognised was a critical turning point in their national history, instead of being crushed as some expected they would be in their recent struggle against a great Military Power. Do those who represent the best opinions in this country desire that it may be said that the Indian soldiers are inferior in fighting quality to our gallant allies, not because of any want of bravery or patriotism on the part of the men themselves, but because of their not being given the necessary organisation and equipments? I think not; and I feel sure that my Hon'ble Colleagues the Maharaja of Darbhanga and Mr. Gokhale would be the first to resent any disparaging remarks of this sort against their countrymen, and that they would wish to prevent the possibility of any such comments being even hinted at or suggested.

“ In addition, therefore, to the paramount obligation of securing the peace and safety of the State, it seems to me to be incumbent on Government, both on the score of humanity and also for the honour and fair name of the people of this country, to see that our soldiers are not sent into the field imperfectly organised, with inferior weapons, and without the necessary ammunition and other essential warlike stores.

“ That is what we are trying to do. We should, of course, prefer to have our measures even more highly perfected, so as to have a margin of safety which would give our troops the advantage over an enemy. But that is at present beyond us. We are merely trying to bring our equipments up to a standard equal to that of possible opponents, and remove defects which have too long remained unrectified. However we may desire to study economy, we are compelled to pay some measure of regard to the re-armaments and military progress in other countries, and are often forced against our wishes into expenditure which we should prefer to devote to other objects. It is also an unfortunate fact that, ever since the days of bows and arrows, the cost of lethal weapons and munitions of war has steadily increased. That,

however, is a factor beyond our control. But we have been and are still doing the best we can to reduce the expenditure thus caused as much as possible. By the extension of Indian factories we hope to be able to turn out guns and other equipments more cheaply than we have hitherto been able to obtain them from England; and this course will have the further advantage to India that the money spent on labour will go to Indian workpeople.

“Under the arrangements which have recently been introduced, Army expenditure will, in future, be under the direct control of the Finance Department. I should, therefore, be trespassing on my Hon'ble friend Mr. Baker's preserves if I were to enlarge on the subject of economical expenditure of money. But I am conscious that he relies on my full and cordial co-operation, to prevent waste of all sorts, so that the funds voted for the army may be expended with strict regard to economy and due regard to military efficiency.

“At the last debate on the Budget, my Hon'ble Colleague, Mr. Gokhale, took exception to a remark that his knowledge of military matters was not extensive. I have not the temerity to repeat a proposition which he said was superfluous. But I do say that the correct appreciation of our military position necessitates long and careful examination, by the best experts we can get with full knowledge of the numerous factors which affect the problem. When such investigations have been completed and laid before the Government, it is for them to decide what means should be provided, that is, what the strength of the army should be. But I think everyone will agree with me that before even discussing any addition to our forces, it is our duty to try, by improvements in our arrangements, to make the best of those already at our disposal. This is what we are trying to do. This is mainly what the Reorganisation Scheme means, regarding which there seems to be considerable misapprehension. Some appear to have misgivings that a large increase to the forces is projected; others that the bulk of the expenditure is to be spent on buildings. Both assumptions are widely incorrect. As the result of a long and elaborate examination, it has been found that, by improved methods, we should be able, out of our existing forces, to place in the field an army of practically double the strength that was previously considered possible. The expenditure now being incurred, which is only a fraction of what would be required if we had to add an equal number of new units—is partly for the equipment of these additional troops. But it also includes the cost of new rifles; the introduction of quick-firing guns for the artillery, which, in turn, involves larger reserves of ammunition and ammunition columns; improvements to our

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transport, the coast defences, and many other measures which have long been recognised as indispensable. The bulk of the expenditure is for these services, and only a small proportion is being incurred on the necessary accommodation required for the better distribution and consequent better organisation and training of the army. As I have shown, we are spending money in reorganising our existing materials, and not on any material addition to the forces; though, as a consequence of the experiences in South Africa and Manchuria, we are also trying to reduce the large deficiency in officers, and are building up a larger reserve for the Native army which is a move in the direction which the Hon'ble Mr. Gokhale advocates. In taking these precautionary measures, we are spreading the cost over a considerable period, so as to reduce inconvenience as far as possible; and when they have been completed, we may hope that military expenditure will be largely reduced.

"When we come to the question of the remuneration which men in the army receive, I feel sure that my Hon'ble Colleagues do not consider the sepoy overpaid. Indeed, having regard to the increased cost of living, I should be somewhat surprised if they did not think the converse to be more correct.

"I trust that I may have been able—even if it only be in some slight degree—to reassure my Hon'ble Colleagues that we are not indulging in military extravagances; but on the contrary, are endeavouring, by overhauling our existing machinery, to obviate increases which might otherwise have been forced upon us. It must be remembered that if we are to secure peace and tranquillity to this country, which are essential conditions of its material progress and advancement, we must be watchful; and, whilst resisting any tendency to be influenced by extreme views on either side, it is necessary that we should methodically and systematically organise the available means at our disposal. Capitalists will not place their money in India, or assist in the development of its resources, on which this country's prosperity so much depends, unless they are convinced that there is assured security. Therefore, if we desire to attract capital and act up to the motto 'Advance India,' we must be careful that no idea gets abroad that our position is insecure or that we are neglecting necessary precautions.

"My Lord, in the gracious message which His Royal Highness the Prince of Wales sent to Your Excellency as he was leaving India, he referred to the grand traditions of the army in this country, and to the keen spirit and general striving towards efficiency and preparedness for war which appeared to His Royal Highness to animate all ranks. I can assure Your Excellency that the Army of India deeply appreciates the high commendation thus bestowed upon them by our King Emperor's son. The loyalty, bravery and devotion of

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this army are all factors upon which confident reliance can be placed ; but its preparedness to take the field must depend largely upon the action of Government, for even an army of heroes can only be sacrificed if it be not provided with the necessary organisation and equipments which are essential for success in modern war."

His Honour THE LIEUTENANT-GOVERNOR said :—"My Lord, I shall not detain the Council many minutes. I desire, in a word, to congratulate Your Excellency's Government on the Budget and my Hon'ble friend Mr. Baker on the manner in which it has been presented and the manner in which it has been received. It is not necessary for me to say anything in regard to the discussion that has taken place, except perhaps in regard to a remark or two which have fallen from my Hon'ble friend the Maharaja of Darbhanga. One matter which he discussed has been disposed of by my Hon'ble friend Sir Denzil Ibbetson, namely, the question of the waterways of Bengal. The other was the popular view—which I observe the Maharaja Bahadur did not venture himself to accept—of the connection between the development of railways and the development of malaria. I think he will find, when we come to discuss that question in another place, that the coincidence to which that view of the connection between railways and malaria owes its origin has not escaped the attention of the Government of Bengal, and I trust he will consider that we are dealing as adequately as we can with it.

"Only one word remains, namely, that I desire to express the gratitude of the Government of Bengal for the terms of our new contract. I shall not enter into details. They have been thoroughly threshed out between the Government of Bengal and the Government of India, and I am glad to find that my Hon'ble friend the Maharaja of Darbhanga has only a half-hearted wish to express that perhaps we might have got more. I need not say that I thoroughly re-echo that wish. We feel very much our want of money. It is a terrible thing to be surrounded by open mouths and claimant demands, and we have far too often to meet such requests for substantial help with the cold water of sympathetic words. At the same time we have received from the Government of India very generous treatment, and have now, I trust, some money with which to do some work, and we are not ungrateful to them."

The Hon'ble MR. BAKER said :—"My Lord, I think Your Excellency's Government has reason to be satisfied with the reception which the Budget has met with at the hands of Council. From the observations which have fallen from various speakers today, I gather that our specific proposals have met with general approval, especially those for the remission of the patwari cesses : but

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some disappointment seems to be felt that we have not made larger provision for expenditure on a variety of new objects. My Lord, I venture to think that that disappointment, if it is really felt, is not altogether reasonable. As Lord Curzon once said, we have been forcing the pace a good deal during the last few years, and we are already committed to very heavy recurring expenditure on police reform, the improvement of agriculture, primary education, and many other things. I am far from taking a pessimistic view of the situation, but having regard to the present unfavourable character of the seasons in several of the provinces, I really think it would have been rash for us to launch out upon any great new schemes at the present time. And there is another consideration of a more general character, which, I think, some gentlemen are apt to lose sight of, but which is really of great importance. The Hon'ble Home Member has already drawn attention to it in his speech today. It is this. Almost all the matters for which we are invited to provide additional grants are within the sphere of the Provincial Governments. We have conferred upon these Governments definite powers and responsibilities which extend to most branches of the civil administration and we have provided them with growing revenues, on what may fairly be described as a very liberal scale, to enable them to discharge their duties adequately in all branches. The Local Governments have not merely ample funds, but also full discretion in the expenditure of them. It would be wholly inconsistent with the first principles of the system of Provincial Settlements, if we were to dictate to any Local Government what it should spend on each individual head; and it is also an entire mistake to suppose that the money for improvement in the Provincialized branches of the administration ought to be or can only be provided in normal circumstances by special additional assignments from Imperial revenues. If any particular measure is outside the terms of the settlement, or is of such magnitude as to be beyond the powers of the Local Governments, then Imperial revenues may fairly contribute, as they have done on several occasions in the past. Police reform is a conspicuous instance of this. If we were to embark on a policy of making primary education free of charge to the public, as Mr. Gokhale suggests, that also would justify some special assistance from Imperial funds. But most of the objects for which we are pressed to find money are not of this class. Thus, the Hon'ble Mr. Sri Ram complains of the inadequate provision for technical education and for sanitation, and the Hon'ble Mr. Porter asks us to give additional grants to the United Provinces for police buildings, for hostels in secondary schools, and for subventions to Local Municipalities. He says that the United Provinces ask for no doles, but with all due deference it seems to me that is exactly

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what the Hon'ble Member does ask for. These are all ordinary items of Provincial expenditure, for which due allowance was made, though in general terms and not specifically, in the Provincial Settlement; and it is for the Local Government to provide the necessary funds. Any other course would make these particular items an Imperial charge, and would be destructive of Provincial responsibility.

"But I will admit that I have much sympathy with the Government of the United Provinces. The Hon'ble Mr. Sri Ram's detailed comparison of the Provincial Settlement with those of other provinces is inaccurate in certain respects; but it is quite true that, as a whole, though much more favourable than its predecessors, it is still distinctly less favourable than that of any other Local Government, conspicuously so as compared with those of Bombay, the Punjab, or the Central Provinces. Again it is undeniably true that the United Provinces have been very hard hit by the failure of the harvests and by the heavy expenditure they have had to incur on famine relief, by which its estimated balance at the end of 1906 will have been reduced to $5\frac{1}{2}$ lakhs of rupees. If we are able to devise a more equitable method of allocating famine expenditure, I hope that we shall be able to apply it in such a way as to make up a part of the losses which the Local Government has already incurred. As regards the terms of the settlement, it is perhaps too soon to revise it altogether, but I shall be ready to bear the matter in mind when a suitable opportunity occurs. The same remarks apply in the case of the settlement with Madras to which Mr. Sim has referred, and the terms of which are generally similar to those of the United Provinces settlement.

"Next year, we shall undertake the revision of the Provincial Settlement of Burma, and I think I may promise that we shall bear in mind the appeal which Mr. Hall has made to us on behalf of this Province. I quite agree with him that liberal expenditure in Burma is likely to prove productive, and it shall be our object to accord it both just and generous treatment.

"Both the Nawab Bahadur of Dacca and the Maharaja of Darbhanga have commented on the small share which Bengal has received in the remission of taxation. The explanation of this may be summed up in the three words—'the permanent settlement.' In Bengal the land already pays far less in proportion than in any other part of India; and so far as strict justice is concerned, it has no claim even to the 4 lakhs a year which has fallen to its share. The justification for the remission of the zamindari dāk cess lies wholly in the fact that the district post is an administrative anachronism, and it could not be

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defended by any references to the equity of relieving the landed interest of that province.

“The Nawab Bahadur has expressed the hope that the balance may be redressed by a readjustment of the road cess in Bengal. I hope my Hon’ble friend does not ask for a reduction of the road cess—of which I can hold out no expectation. But it is true that in my judgment Bengal has a real grievance in regard to its local taxation. In Bengal, as in Madras and Bombay and most other provinces, the land pays one anna in the rupee of its annual value under the head of Provincial rates. But whereas in other provinces the whole of this cess belongs to the Local Boards for local purposes, in Bengal one-half of it has from the first been appropriated as an asset of general revenues. I am well aware of the historical reasons for this appropriation, and they have always appealed to me as being singularly devoid of force. I shall be very happy if within my term of office it should be in my power to redress this injustice to the province to which I have the honour to belong.

“The Hon’ble Mr. Logan has pointed out how seriously the finances of some of the Local Governments, and Bombay in particular, are affected by expenditure on famine relief, and he has urged that all such charges should be borne by Imperial Revenues instead of by the Provincial Governments. Mr. Sim has raised the same point in regard to the province which he represents. Mr. Logan is under a misapprehension in thinking that the grants in the present budget for relief works and remission of land revenue are Imperial grants. They are, of course, Provincial, in accordance with the terms of the Provincial Settlement. It is, however, unnecessary to dwell on this point.

“I do not regard the difficulties which undoubtedly attach to the present system in quite the same light as the Hon’ble Member, and I could not assent to the solution he has suggested. The management and conduct of ‘wars, expeditions, and political missions’ rest with the Imperial Government, and it is therefore right that the latter should pay for them. But the actual administration of famine relief must necessarily rest with the Local Government, and famine is the last matter in which financial responsibility should be divorced from administrative control. Even as it is, it is difficult enough to hold the scales evenly between the claims of economy on the one hand, and those of humane treatment of suffering people on the other. If there were a big famine in any province, and the Local Government were at liberty to pass on the entire bill to us, I shudder to think of the consequences to the finances of the Government of India.

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"But having said this much, I will frankly admit that in my judgment the present system is really open to serious objection. No allowance is made for famine in the Provincial Settlements, and the established principle is that the entire resources of a Local Government must be exhausted before any assistance can be claimed from Imperial Revenues. The result is that the system is unfair as between one province and another. A province which is liable to relatively frequent famines, such as the United Provinces, Bombay, or the Central Provinces, is worse off than one which is comparatively immune, such as Burma or Eastern Bengal. Moreover, a province which is afflicted by famine shortly after it has obtained a *quasi*-permanent settlement, as has been the case with Bombay and the United Provinces, loses the advantage, to a greater or less extent, of the initial lump grants which were intended to give it a good start on its new career, for these are absorbed in meeting famine charges, instead of being available for Public Works, or improvements in the Civil Administration. The consequences are more serious under the present system of *quasi*-permanent settlements than they were formerly, for the quinquennial revision of the settlements no longer affords an opportunity of setting a crippled province on its legs again. Lastly, in the case of a small famine, one effect is actually to improve the financial position of the Imperial Government at the cost of the provinces; for expenditure is transferred from 'Reduction and Avoidance of Debt,' which is an Imperial head, to 'Famine Relief,' which is Provincial. This has actually occurred on the present occasion, and it is an undoubted anomaly.

"The question is one of considerable difficulty, and various remedies have suggested themselves. I admit that a material change is required, and it is our intention, as soon as we get to Simla, to examine the matter thoroughly and endeavour to devise a sound solution. It will probably be necessary to consult the Local Governments, and the sanction of the Secretary of State will certainly be required if any radical alteration of principle is made. For the present I will merely say that we are fully alive to the objections to the present system, and that it shall receive our prompt and careful attention.

"The Hon'ble Mr. Apcar has urged us to 'think imperially' in fixing the amount of our contribution towards the cost of the improvement of Calcutta. I can assure him that the Government of India are now and have always been ready to take a generous view of the claims of the capital to assistance from the State in carrying out this long delayed and greatly needed measure. The amount of our contribution was fixed at 50 lakhs in consultation with and with the sanction of the Secretary of State, and it is not open to me to undertake to increase it. But if sufficient grounds can be shown for reconsidering the amount,

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we shall no doubt be ready to do so. On the other hand, it is only just that those who benefit most by the scheme should bear the brunt of the burden. Some of the comments which I have seen in the Press on this subject might lead one to fear that this principle is not always borne sufficiently in mind.

“ I regret that I cannot assent to the Hon’ble Mr. Apar’s suggestion that the continuance of the income tax is suspiciously like a breach of faith. This suggestion has been made before, in the Press and elsewhere; but, so far as I know, it has never been supported by any evidence whatsoever, and I can assure the Hon’ble Member that as a matter of plain historical fact it rests on no foundation. When the tax was imposed in 1886, Raja Piari Mohan Mukherji moved an amendment to limit the duration of it to one year. With reference to this, the Hon’ble Mr. Steel, representing the Bengal Chamber of Commerce, said that—

‘ The payers of income tax will now fairly claim that under the present Bill they will contribute at least their full share: and when any remission of taxation is possible, they will expect that their case shall be considered on its merits along with all other claims for relief which may be put forward.’

“ Referring to these remarks of Mr. Steel, Sir Auckland Colvin, in opposing the amendment, said—

‘ With regard to the duration of the tax, the Hon’ble Mr. Steel has put the case in an extremely fair way, *viz.*, that if the Government finds itself in a position to make remissions of revenue hereafter, the question of the income tax should be put on the same footing and receive the same consideration as any other question of remission of revenue.’

“ Again in 1890, in replying to a representation from the Bengal Chamber of Commerce, the Government of India wrote as follows:—

‘ It is unnecessary to remind the Chamber that no tax can be considered to be final either as regards form or rate, but I am to say that the Government of India has never given any sanction to the belief that the present income tax would be abolished or reduced in preference to any other tax which is now levied or which was levied in 1886.’

“ Since the tax was imposed in 1886, the Government has never given any sort of pledge or promise, direct or indirect, to repeal the tax or treat it in any way differently from any other tax. Only two years ago, Sir Edward Law in this Council emphatically affirmed the absolute freedom which Government claimed to itself in this respect, and I can do no more than repeat what he then said. I can hold out no sort of expectation that the tax will be either repealed or reduced. It is almost the only contribution of importance which is made to the public revenues by the monied classes in this country whose

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incomes are derived from trade or other non-agricultural sources. These classes are universally admitted to derive great benefits from British rule; and in my judgment, they at present contribute not too much, but too little.

"Nor am I disposed to think that the limit of exemption should be raised. It seems to me that a man in this country with an income of Rs 1,000 a year is better off and ranks higher in the social scale, than a person at home with an income of £160 a year. The latter figure represents only about four and-a-half times the average income of a resident of the United Kingdom, whereas Rs 1,000 represents no less than thirty times the average income of a resident of India. As regards the suggestion for a rebate on, or deduction from, incomes below a certain amount, it is perhaps possible that a case might be made out, but *prima facie* it does not seem to be a matter of great or general importance.

"With reference to the point raised by the Hon'ble Mr. Sri Ram, I will have it enquired into; but *prima facie* I am not sure that the rate of increase in the yield of the tax has been in any way abnormal.

"The Hon'ble Mr. Gokhale has raised a number of more or less important questions, with which it would be quite impossible to deal adequately in the time at my disposal.

"In the first place, he has suggested that in our accounts the receipts from Railways and from Productive Irrigation Works should be shown *net*, instead of showing the gross receipts on one side and the various charges on the other. This suggestion has been before Government more than once. Personally, I think that there is a great deal to be said in favour of it, but the view that has hitherto prevailed is that it would be misleading to omit from our main accounts items aggregating 25 millions sterling; nor would such a change be justifiable in accounts which profess to state the total revenue and the total expenditure chargeable thereon. A further practical difficulty has arisen in connection with the allocation of the figures between England and India, as it would apparently be necessary to exhibit very large *minus* figures, which would not be readily intelligible. I will have the matter further enquired into, but no change of this description can be introduced without the sanction of the Secretary of State, and I can therefore give no undertaking in the matter one way or the other.

"The Hon'ble Member has also suggested that the figures which relate to 'local' revenue and expenditure should be excluded from our main accounts, which should be confined to those relating to Imperial and Provincial Finance.

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It so happens that a very similar proposal has been under our consideration during the past year, and I am myself of opinion that the balance of advantage is in favour of making the change, provided that steps are taken to exhibit the aggregate local transactions in a convenient and accessible form. Here also no change can be made without the approval of the Home authorities whose decision cannot be anticipated.

“ Then the Hon'ble Member has put in a plea on behalf of the District Boards in Bombay. The principal source of income of these Boards is the local cess on land, which is a function of the land revenue : and when for any reason, such as famine, the land revenue is suspended or remitted, the Boards lose a large part of their revenue. In the Punjab, he says that in such circumstances the Local Government make up to the Boards the amount of the cesses which is lost.

“ Mr. Gokhale was good enough to mention this matter to me a few days ago, and I have made such enquiries as were possible in the interval. I am informed, however, that the Hon'ble Member's information in regard to the practice in the Punjab is not correct. In that province the District Boards have to stand the loss when cesses are remitted, and the amount is not made up to them by the Local Government. If that is the case it cuts away the ground from under the Hon'ble Member's feet. We could not reasonably make a special rule for Bombay more favourable than that which obtains elsewhere. Apart from that, moreover, I do not think that the present practice is inequitable in itself. The fact that Bombay has not shared in the present remission of taxation is easily explained. Bombay has never—at least for so long as I am aware—had to pay the village officer's cess or the famine cess. It has all along enjoyed the very exemptions which we are only now extending to other parts of India. So far from Bombay having a grievance, it is rather the other provinces that have cause to complain that they have been left behind Bombay for so long.

“ Then, again, Mr. Gokhale has taken exception to the practice by which District Boards are required, in times of famine, to devote a great part of their resources to expenditure on relief works. I find that there are very numerous orders on this subject, some of them dating many years back ; and it is not possible for me without much more time for consideration to make any complete or authoritative pronouncement on the subject. One order which I have found is to the effect that all municipal, local and district resources must be first exhausted before any call is made on Provincial or Imperial funds. I have

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no hesitation in saying that if that principle is to be interpreted literally, I entirely dissent from it. I doubt whether it has ever been really acted upon, and it is certainly not in accord with the policy which has governed the action of the Government of India in these matters for years past. Speaking with all due reserve, I think the utmost we can rightly require of a District Board in time of scarcity is that it shall economise in its ordinary expenditure in all reasonable ways; that it shall set apart as much of its funds as possible for expenditure on works; and that it shall adapt its programme of works as far as it can to subserve the purposes of famine relief. Beyond that I do not think any local body should be required to go. But I do not think we should go still further and relieve District Boards of all responsibility whatever in regard to famine. Apart altogether from legal obligations, the broad fact remains that District Boards form an integral part of the administrative machine, discharging functions in their own sphere which are comparable with those of Provincial Governments and the Government of India in their larger fields of duty. All three parts of the governmental machine should share the common responsibility, and should co-operate with each other in combating a famine not merely in the actual work, but also in the provision of funds, each in its own degree. In replying to Mr. Logan, I have already intimated that we are not satisfied that the Imperial Government at present bears its full share of the burden; but none of the three partners can fairly claim to be wholly exempted.

“Then the Hon'ble Member points out that the Gold Reserve Fund now exceeds the sum of 10 millions which was named by Lord Curzon two years ago as being sufficient for our purpose, and he asks me to say what we propose to do with the profits of coinage in future. I may remind the Hon'ble Member that last year Sir Edward Law expressed the opinion that we ought to have some 20 millions in the Gold Reserve Fund, and we are still a long way short of that figure. But personally I regard the matter in a somewhat different way. So long as India has a gold standard combined with a currency which consists mainly of rupees, I consider that we are bound to set apart the whole of the profit on additions to the coinage. Every penny of these profits is linked with an equivalent liability, which is none the less real because it may not have to be discharged for a long time to come. Sooner or later, gold will come into circulation in India, as it has done in nearly all countries in the world, and will tend to take the place of rupees. It may be many years before this comes about, and the process will probably be very gradual; but that it will come in the long run, I have no manner of doubt. When it does come, we shall have to reverse the process by which we have been adding to our silver

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currency in accordance with the requirements of trade; we shall have to dispose of the surplus stock of rupees, and replace them by gold. In this view, there can be no limit to the Gold Reserve Fund. Broadly speaking, every rupee that we coin from bullion may eventually have to be converted back into bullion, and the profit which we made from the first operation must be religiously reserved to meet the cost of the second. We must therefore resist all temptation to use these profits for ordinary current expenditure.

“But I agree that there is a limit beyond which it is not expedient in practice to store the accumulated profits in the form of ordinary sterling investments. My reason is that it will not be possible to throw more than a certain amount of such investments on to the market at once. If we hold more than can be readily liquidated, the investments will actually not be available when we require to draw upon them to meet the cost of conversion. We have certainly not reached such a limit yet, so that it is rather premature to discuss the question: but when it is reached, my view is that further accumulations should be applied to the reduction or avoidance of debt, preferably of sterling debt. The practical effect of employing them in this way would be that we should either expand our programme of productive railways and canals or that we should finance the latter with a smaller amount of borrowing.

“The question of military expenditure has been dealt with by His Excellency the Commander-in-Chief and all that I need say is that I resolutely adhere to the view which I expressed last year that it would not be sound or expedient to have recourse to borrowing for the purpose of carrying out the scheme of army reorganization unless we should find it impossible to finance it without undue difficulty out of revenue. Expenditure on public defence is not productive in the commercial sense, and is not a suitable object to be financed from borrowed funds. The only justification for such a course would be imperative and urgent necessity: and no such necessity has so far arisen.

“Mr. Gokhale returns to the charge once more in regard to the employment of our surpluses on the construction of productive public works, and urges the relative claims of sanitation, the provision of school houses, and mass education. Is not the Hon'ble Member rather forcing an open door? We are all entirely agreed with him that we ought not to maintain taxation on a higher level than we should otherwise require, merely in order that the revenue so collected may be spent on constructing railways. That would undoubtedly be wasteful, and unfair to the present generation of tax-payers. But when a surplus has actually accrued from any cause, such as a fortunate windfall, or from our

revenues exceeding our expectations, or in any other way, then I remain of the opinion that we can ordinarily find no more beneficial way of utilizing the money than by investing it in productive works, whether Railways or Canals.

"I readily admit that there is nothing wrong in principle in using such money for other non-recurring expenditure, and as a fact we have often done so. Instances of recent date which occur to me are the 50 lakhs assigned for the improvement of Calcutta, the 20 lakhs for the extension of Simla, the various initial grants given from time to time to Local Governments in connection with their new Provincial settlements: and the 22 lakhs given two years ago by Lord Curzon's Government for what were called secondary requirements, such as museums, public parks and gardens, the Calcutta Zoo and the like.

"But the objection is that this practice does not make for economy. Once we begin to allot sums of money for expenditure on particular objects, not with any ordered design or because the latter are deliberately held to be necessary, but merely because money happens to be available at the moment, we set foot on an inclined plane which leads to the deepest morass of extravagance. Occasions may arise when such a course may be legitimate or expedient, but all such proposals must be most jealously scrutinized and kept under the closest restrictions. The Hon'ble Member expressly intimated that the objects on which the money should be spent must be non-recurring. Surely it was by an oversight that he included among them such essentially recurring charges as mass education and sanitary improvement!

"Most of the items included in Mr. Gokhale's somewhat overwhelming programme of economic and administrative reform do not fall within my province to deal with. But I must offer a few observations on his suggestions for financing his schemes. He suggests (1) that the funds set free by suspending Army re-organization or by carrying it out from borrowed money should be applied to the extension of Primary education; (2) that the profits on coinage should be reserved for the relief of rural indebtedness; (3) that the famine grant should be spent on industrial and technical education; (4) that co-operative credit societies should be allowed to make use of the deposits in the Post Office Savings Banks; and (5) that whatever surpluses accrue should be devoted to assisting Local Bodies in the construction of works of sanitary improvement.

"Now I have the keenest sympathy with every one of the objects on which the Hon'ble Member desires to see public money expended. In particular, I am greatly interested in his proposal for making primary education

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free, with the intention of ultimately making it compulsory. I hope and believe that some great scheme of this nature will eventually be carried into execution, though I am wholly unconvinced by the Hon'ble Member's figures that the cost of it will be anywhere in the neighbourhood of 30 lakhs of rupees. In the United Kingdom in 1904 over 13 millions sterling were spent on primary education from Parliamentary grants. We may make any allowances the Hon'ble Member likes to ask for an account of the different conditions of the two countries; but when every possible deduction has been made, is it conceivable that we can hope to give free primary education to a population six times as numerous, for $\frac{1}{28}$ th part of the cost? If we get off with $1\frac{1}{2}$ crores a year I shall be surprised: though I believe it would be money well spent.

"But the suggestions for financing the various projects are calculated to alienate my sympathies, and I cannot help thinking that if the Hon'ble Member had had more time for consideration, he would have omitted or modified them. The extension of primary education, and the making of it free, are objects worthy of a foremost place in our policy; but the funds ought emphatically not to be found by casting on to a future generation the present cost of national defence. The relief of rural indebtedness is a matter deserving of serious consideration: but, as I have already shown, the profits on coinage are not available for any such purpose. They must be reserved to meet the corresponding liability which attaches to them, and which will assuredly have to be discharged in the long run. So as regards the Famine Insurance Grant, we have often been told that it was an immoral act to absorb this grant in former years to defray the cost of the Afghan War. I express no opinion as to that; but I do affirm that it would be no less immoral to divert it for expenditure on technical or industrial education, with which it has nothing whatever to do. I will not go through the rest of the list. I will merely assure the Hon'ble Member that while we welcome his co-operation and advice, and while I for one shall be ready to do everything in my power to further the causes which he and the Government alike have at heart, it is not by devices such as these that a solution is to be found.

"Turning from these matters, I think it may be of some interest if I lay before the Council a brief retrospect of the changes that have been effected in our fiscal system during the last 24 years, by the reduction, modification or abolition of old taxes, and the imposition of new ones. I propose to take as my starting point the year 1882-83, for the reason that that was the year in which the Government of Lord Ripon carried into effect certain important measures of fiscal reform to which reference is often made in this connection. Such a

review as I contemplate may, I think, enable the observer not merely to take a bird's eye view of the course of Indian taxation in the past, but also to form a fairly correct estimate of the net improvement—for there has been an improvement—that has been effected in our fiscal system up to the present time. I shall make it as brief and free from technicality as possible, avoiding all details of little general interest, and though I shall present a few figures, they shall be very few, partly to avoid wearying the Council, and also because the actual yield of taxation is obviously affected by other causes than abolition or imposition.

“Viewed from the standpoint which I have indicated, the period from 1882-83 to the present time divides itself naturally into four groups of years, each of which presents strongly marked fiscal characteristics of its own.

“The first group extends from 1882-83 to 1885-86. By the time this period began the country had recovered from the effects of the famine of 1876-78, and from the financial burden imposed by the Afghan War, while the fall in sterling exchange, though beginning to be felt, was not yet acute. It was characterized by three important measures in relief of taxation. These were :—

firstly, the abolition of the import duties on cotton goods, and of the general import duties, or so much of them as still survived. The cost of this measure in the first year of its introduction was 106½ lakhs;

secondly, the reduction of the salt duty from R2-8-0 per maund (or R2-14-0 in Bengal and Assam) to R2. The cost of this, also in the first year of the change, was 119¾ lakhs; and

thirdly, the abolition of the patwari cess in the United Provinces, at a cost of 24 lakhs. The aggregate cost of these three measures was rather over 230 lakhs of rupees per annum.

“The second group of years extends from 1886-87 to 1895-96. Its leading features were the increase of expenditure forced upon us by the approach of Russia towards our frontiers, and the annexation of Upper Burma; and the unprecedented depression of sterling exchange which severely augmented the burden of the home charges. These causes led to the rescission, one after the other, of the three measures of relief which had been carried out during the previous period, and to the imposition of three new taxes in addition. The measures actually adopted were as follows :—

Firstly, in 1886, the income-tax was substituted for the former license-tax: the gain in the first year of the change being 86¾ lakhs.

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Secondly, in 1888, the salt duty was raised again to Rs. 2-8-0 per maund, the increased yield being 101 $\frac{3}{4}$ lakhs in the first year, with a further advance of 51 lakhs the year after.

Thirdly, in the same year, an import duty of half an anna per gallon was imposed on petroleum, yielding 11 $\frac{3}{4}$ lakhs. This rate of duty was doubled in 1894, the increased yield being 5 $\frac{1}{2}$ lakhs.

Fourthly, in 1889, the patwari cess in the United Provinces was re-imposed, yielding 22 $\frac{3}{4}$ lakhs.

Fifthly, between 1894 and 1896, the general import duties were re-imposed on a 5 per cent basis. There were some intermediate alterations in regard to cotton piece goods and yarns, on which it is unnecessary to dwell; but the ultimate result was that, as an exception to the general rule, piece goods were taxed at 3 $\frac{1}{2}$ per cent instead of at 5 per cent, while yarns were free. An excise duty of corresponding amount was simultaneously imposed on piece goods woven in Indian mills. The increase of revenue from the general import duties and from cotton piece goods including the excise duty was 154 lakhs and 103 lakhs respectively.

“The aggregate increase of taxation imposed during these ten years may be taken at about 536 lakhs of rupees per annum.

“I now come to the third group of years, which extends from 1897-98 to 1902-03. This was a period of stationary taxation, the gain due to the gradual establishment of a stable exchange being counterbalanced by two great famines and the cost of military operations on the North-West Frontier. The only fiscal measure carried out during this period was the remission of the pandhri tax in the Central Provinces, but this had brought in only the trifling sum of Rs. 70,000 a year. During this period, there were large remissions of land revenue; and a good deal was done in the direction of improving the financial position of Local Governments; but these are not measures of the class now under consideration.

“The countervailing sugar duties of 1899 and 1902 belong to this group of years; but as these were not imposed for revenue purposes, and were very soon abolished, I do not refer to them further.

“The fourth and last group consists of the period from 1903-04 to the present time. Speaking broadly, this has been a time of plentiful harvests,

steady exchange, expanding trade, of growing general prosperity, and of external peace.

“The expansion of the revenues has been such that we have been enabled not only to embark on many large schemes of administrative reform, but also to undertake the reduction of taxation on a scale surpassing that of twenty years previously—

In the *first* place the salt tax was reduced in 1903 to R2, and again in 1905 to R1-8-0, a maund, at a cost of 141 and 164 lakhs a year respectively ;

secondly, incomes between R500 and R1,000 per annum were exempted from income-tax with effect from 1903-04, at a cost of over 29 lakhs a year ;

thirdly, the famine cesses in Northern India were abolished last year at a cost of 22½ lakhs a year ; and

fourthly, we have decided, with effect from the ensuing year, to abolish local taxation on the land to the amount of more than 82 lakhs per annum,

“The sum of these five measures which have been carried out within the space of three years, reaches the respectable total of 438 lakhs a year. This no doubt falls short of the aggregate new taxation imposed or re-imposed during the second group of years by about a crore of rupees ; but with regard to this it may fairly be observed, (1) that it represents the progress achieved in a relatively short space of time ; (2) that the remissions might easily have been greatly enhanced had not Government decided, with, I believe, very general public approval, to apply a large part of its surplus resources to useful and productive expenditure on police, education, agriculture, and public works, to increasing the resources of the Provincial Governments, to improving the efficiency of the army, and to strengthening the finances of District Boards ; and (3) that we are not necessarily at the end of our programme, and if our revenues continue to expand as they have latterly done, it may hereafter be within our power to take further steps for the relief of the tax-payer.

“A merely statistical comparison, however, is of little value. A more fruitful and instructive method is to compare the fiscal position as it stands now with that which obtained in 1882-83, the year which I took as the starting

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point of my review. Proceeding in this way, I think that the results so far obtained may fairly be summarised as follows:—

Firstly, we have reduced the salt tax from Rs 2-8-0 or Rs 2-14-0 per maund to Rs 1-8-0 throughout India, except Burma, where it is Rs 1. I do not wish to dwell on the effect of this measure in cheapening the cost of a necessary of life, because I have never believed that the tax pressed with undue severity even on the poor. But the importance of the reduction in creating a fiscal reserve is obvious and immense. If we allow for increase in consumption, not less than $3\frac{1}{2}$ crores of rupees per annum could be obtained from this source by a stroke of the pen if necessity should arise, and this sum may be relied on to expand with the progressive increase of the population.

Secondly, we have broadened the basis of taxation by re-establishing the general customs duties on imports by sea. I freely admit that, in view of the chaotic condition to which the import tariff had been reduced in the late seventies, the Government of Lord Ripon had probably little option but to sweep the whole mass of anomalies away. But in my judgment, in the conditions prevailing in India, there are few more appropriate and less onerous forms of taxation than a light duty on imports from over sea. Our duties are pitched on so moderate a scale that, to the best of my belief, there is not a consumer who feels them, and not an indigenous industry which is injured by them. The revenue they yield, unfelt and unresented, has placed it in our power to effect the successive reductions of direct taxation to which I have already alluded; and although it fell to the lot of Sir Evelyn Baring in 1882 to abolish them in this country, it is significant to observe that Egypt, which has benefited so greatly from the wise and vigorous guidance of Lord Cromer for more than twenty years, now derives one-tenth of her entire gross revenue from this source, a proportion not far short of double that which obtains in India today.

Thirdly, we have effected a valuable reform in our system of direct taxation by substituting the income-tax for the old license-tax. It is unnecessary on the present occasion to enter upon the well-worn theme of the unpopularity of these taxes. Whatever views may be

entertained on that point, all reasonable persons will agree that the income-tax is greatly superior to that which it superseded. The license-tax exempted the whole official and professional classes, and fell almost exclusively upon trade. Its incidence and the range of incomes included within its net varied widely in different provinces: and in some places it extended to incomes so low as Rs 200 a year. From all these defects, the present tax is free: and the raising of the limit of exemption to Rs 1,000, releasing over 60 per cent of the assesseees, has removed the chief remaining element that was vulnerable to criticism.

Fourthly, a high place in our list of results should be assigned to the reform and reduction of local taxation. It is not merely that we have relieved the landed interest and the agricultural tax-payer from a variety of supplements to his regular assessment, always irritating and often considerable in amount. That alone would have been an advance of no small value. But I attach much greater importance to the fact that we have for the greater part got rid, I trust for ever, of the practice of making appropriations from the proceeds of local taxation for the benefit of Provincial or Imperial revenues, and have gone a very long way towards establishing the principle that no local taxation shall be levied save that which is devoted exclusively to local, as distinguished from general, purposes, and, so far as possible, is administered by local bodies.

Lastly, there is one more feature in regard to which the fiscal system, as it now stands, is conspicuously stronger than in 1882-83, and it is worth while to refer to it, though it is not directly concerned with questions of taxation. I allude to the greatly diminished reliance which is now placed on the revenue from opium, as compared with twenty years ago. In 1882-83, the net receipts from opium were 721 lakhs of rupees, and formed 14·1 per cent of the total receipts, classed as Principal Heads of Revenue. In 1905-06, they amounted only to 546 lakhs, or to 7·8 per cent of the aggregate of the Principal Heads of Revenue. When it is remembered how uncertain the opium revenue is, and how liable to violent fluctuations from causes over which we can exercise no control, the dwindling away of its relative importance in our fiscal system must be regarded as a matter for lively satisfaction.

[28TH MARCH, 1906.] [*Mr. Baker ; the President.*]

"In the foregoing summary, I have made no allusion to the numerous changes introduced from time to time in the stamp and excise duties; I have not referred to the greater leniency of our assessment of the land revenue, or to the smaller proportion which it now bears to the sum total of our resources; nor would it have been relevant to refer to the signal change that has come over the position in regard to the net yield of our railways, our canals, and, to a lesser extent, the postal and telegraph services. Putting all these on one side, I venture to think that the results which I have now laid before the Council constitute an advance of which the Government of India have no cause to feel ashamed. Opinions may differ as to whether our predecessors and ourselves have accomplished as much as we might with the means at our disposal. I for one shall not quarrel with our critics if they urge us on to further developments on similar lines. There is no such thing as finality in finance. Though not a little has been done, it would be easy to compile a lengthy list of further reforms which still await the hour and the means. I shall resist the temptation to essay that fascinating but dangerous and not very profitable task; and I shall be content to assure the Council that it will be our aim to persevere steadfastly with the task that lies before us, to remove every avoidable impediment to the development of trade, to improve communications, to facilitate the free movement of labour, to stimulate all indigenous industries, to encourage the profitable employment of capital, Indian capital first, and foreign capital afterwards, and while providing as generously as we can for the administrative needs of the country, in education, agriculture, public health, and public safety, to take as our watchword, first, and last, and all the time, Lord Cromer's well-known dictum, to keep taxation low."

His Excellency THE PRESIDENT said:—"I must in the first place congratulate my friend the Hon'ble Mr. Baker for the very lucid statement he has placed before us—a statement which I think we may all agree in accepting as distinctly satisfactory—all the more so that we are fairly entitled to recognise that the expenditure proposed for 1906-1907 represents no spasmodic effort on the part of the Government of India but that it is the continuation of a well-considered policy which the growing revenues of the country has enabled the Hon'ble Member to carry out. We appear to have no reason to imagine that we are under the influence of that intoxication known as a 'boom' in the New World, followed too often by the depressing effects of financial dissipation. The speeches which we have heard from Hon'ble Members today all hold out hopes of a solid and assured financial future, the chief problem of which will, I hope, be not as to how and when we are to secure our revenue, but as to how and when we can best spend it.

"I am very far from saying that we are free from trouble. We have famine and sickness with us still; a partial failure of the monsoon and a further delay in the winter rainfall have told the inevitable tale in parts of Northern and Central India; but still there has been no such misery as that of 1899 and 1900, and we may fairly hope that the money spent on irrigation in recent years and on the development of famine relief organisation may surely and steadily reduce our famine areas; whilst, as the Hon'ble Sir Denzil Ibbetson has told us, the Government of India owe a debt of gratitude to the noble liberality with which the Chiefs have realised their obligations in their own afflicted territories. The plague, however, stares us gruesomely in the face and is ever reminding us of the efforts we are urgently called upon to make for the sanitary welfare of the people.

"Yet on every side there is indication of progress and of development, of which there is no better evidence than the increase in railway earnings, and the number of railways under construction, and with certain exceptions there is a general increase of revenue.

"The net result is a surplus of 253 lakhs of rupees, 122 lakhs of which we propose to devote to the remission of taxation, the relief of local bodies and the assistance of administrative improvement. In a country of great undeveloped resources it must often be a question whether a revenue surplus should be in the main devoted to the further development of the country or to the reduction of taxation of its population. For my own part I believe that the future prosperity of India depends so largely upon the welfare of its agricultural population that relief in the direction we propose will have a widespreading effect and will as a consequence further that development in other directions which we are so anxious to encourage. Sir Denzil Ibbetson has given us an insight into the valuable work of the Department he so ably administers, and if, after so short a residence in India, I may venture to give an opinion, I cannot say how fully I agree with him as to what I take to be his views in respect to agricultural indebtedness and agricultural expansion. We all know the cruel burden the former entails on the agricultural population; but I doubt the possibility of the Government of India ever being able to pay off this debt, and, like the Hon'ble Member, I doubt the policy of their doing so if they could. I believe that co-operative societies, agricultural banks and carefully arranged systems of Government loans, coupled with the encouragement given to individual energy, will do much more to spoil the money-lenders' market and do it in a much more healthy way than any entire acceptance by Government of the debts of the agricultural community could ever do. Expert instruction in

[28TH MARCH, 1906.]

[The President.]

agriculture will, too, as years go on, undoubtedly conduce to the same success as has attended the scientific care which has done so much to realise for India the wealth of revenue contained in her magnificent forests.

"But though I am inclined to recognise agriculture as the staple industry of the country, I am far from losing sight of the great commercial development and the rapid expansion of trade, of which the Hon'ble Mr. Hewett has spoken. The records of the Department of Commerce and Industry tell us not only of over-sea trade, the improvement of our harbours, and the establishment of commercial relations with other countries, but also of the interior industrial development of India, much of which is only as yet beginning and the possibilities of which are so enormous; and nothing in the speech of the Hon'ble Member is to my mind more important than that sentence in which he conveyed the assurance that the Government of India earnestly desire to encourage local enterprise and that they mean to insist that in the case of articles required by Government which can be produced in this country at the same price and of the same quality as imported articles, the preference shall be given to local productions.

"I am in thorough sympathy with all the Hon'ble Rai Sri Ram Bahadur has said in this direction. His contribution to the debate on education generally has been most valuable, but in an industrial sense the attention he has drawn to technical education deserves our most careful consideration. Technical instruction in other countries is growing apace, though it is not so very long since the necessity for it was so generally admitted as it is now. Competition has forced it upon us. We must not lag behind. The wealth, the welfare, the strength of a country that would hold its own in the world must depend largely upon the employment of its manhood in the development of its own resources. But now-a-days, in these days of rapid and easy sea transport, and in the face of our system of open markets, the home producer and home manufacturer must be prepared to face foreign competition or to fail. I am afraid he cannot expect his fellow-countrymen for the sake of patriotism to buy his goods if they are inferior and more expensive than goods from other lands, and I say to the supporters of Swadeshi,—that much abused word—that if 'Swadeshi' means an earnest endeavour to develop home industries in an open market for the employment and for the supply of the people of India, no one will be more heartily with them than myself. But if by Swadeshi is meant an inability to recognise the signs of the times, a mistaken desire to maintain industrial systems long out of date, to create false markets by 'prohibiting' the people of India from the purchase of better and cheaper goods, it will have no sympathy from me.

"The ancient hand-loom cannot compete with modern machinery. There are indigenous arts in India which I hope may be for ever preserved—the

ingenuity, the characteristic skill of a people, should always be dear to them ; but the success of modern industries and the preservation of indigenous industries is becoming every day more and more dependent upon scientific and technical knowledge, and if the resources of India are to be developed by the people of India, such development must depend largely upon local enterprise, upon the investment of Indian money and upon a recognition of the absolute necessity of expert training. There is no lack of opportunity for such native enterprise, which will well merit the assistance and encouragement the Hon'ble Rai Sri Ram Bahadur has so justly claimed for it.

" I have ventured to deal only very superficially with the chief points raised in this Debate and with which the Heads of Departments have so ably dealt—points which chiefly concern the resources of India, its revenue, and the welfare of its population. But there is, on the other hand, the heavy expenditure we have to face in many branches of the administration, and chiefly in respect to the Army, to which the Hon'ble Mr. Gokhale has taken such strong exception. I have listened to all he has said with the respect due to one who very eloquently represents the advanced views of a section of the Indian people—views which, though we may perhaps often disagree with, are the result of a study of the Indian political life of today and of a patriotic desire to share in the administration of public affairs—views which I shall always be ready to listen to and discuss. Recent events may at first sight appear to justify much of what the Hon'ble Mr. Gokhale has said. Russia's reverses in the Far East and our alliance with Japan undoubtedly at the present moment minimise the dangers of our Indian frontier, but I am afraid I cannot follow the Hon'ble Mr. Gokhale in his conclusion that these dangers have disappeared for ever. He has told us that the tide of European aggression in China has been rolled back for good, that the power of Russia has been broken and that her prestige in Asia has gone. I am afraid these are mere assumptions which I can hardly accept. I am afraid I feel much more impelled to consider, what effect Russian reverses may have on the pride of a high-spirited military race, and I wonder in how long or in how short a time she may feel confident of recovering her lost prestige.

" Mr. Gokhale advises us to hang up our military reorganisation till a more disquieting situation arises ; that is to say, wait till the moment of danger arises before we put our house in order—and to trust to a military scramble towards efficiency. I hope that the danger of such military scrambles has at last impressed their risks upon us.

" He has also referred to the position of the people of India in respect to the military services. The position is a difficult one, and in some points it is not

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[28TH MARCH, 1906.] [The President.]

satisfactory ; but I do assert this, and I know my colleagues will agree with me, that the position is in no way due to a want of appreciation of the loyal services of the magnificent officers and soldiers of the Indian Army.

“His Excellency the Commander-in-Chief has so clearly placed before us the view he takes of military requirements and military reorganisation that I need say very little. He has devoted a brilliant ability to the task of placing the Army of India on a footing of sound efficiency—an efficiency which can guarantee security, whilst he has reminded us that in the midst of a rising prosperity and increasing cost of living we cannot ignore the daily comfort of the Indian troops who serve us.

“Military expenditure is necessarily heavy in respect to the up-keep of all great armies. The criticism of such expenditure is often short-sighted. The price paid for an army is the premium paid for the insurance of the country. The huge armies of modern nations are not due either to any tendency to over-insure or to the promptings of mere military ambition. They exist in the first place for the maintenance of peace, because nations know that on their armed strength depends their immunity from attack. No nation can hope to be great and prosperous without being strong amongst its fellows. Its wealth, the welfare of its people, its commerce, its investments, its interior development, depend upon its security from hostile pressure—a security guaranteed only by the efficiency of its military forces—by the power of the strong arm. As long as the whole world continues armed to the teeth we must be prepared to pay for the safety of our existence. I hope we shall never be deceived into a false security.

“It is pleasant to remember that their Royal Highnesses the Prince and Princess of Wales, though they deeply realised the wants of the loyal population who so enthusiastically received them, visited India when its future seemed full of promise. I trust that promise may be fulfilled and that ever-increasing revenues will help to solve the administrative problems which surround us, and will ensure the progress and happiness of the people.”

The Council adjourned *sine die*.

J. M. MACPHERSON,
*Secretary to the Government of India,
Legislative Department.*

CALCUTTA ;
The 30th March, 1906. }

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